# Futures Clearing Rules of Zhengzhou Commodity Exchange

(Adopted at the 3rd meeting of the 8th Board of Governors on June 13th, 2023; and the revised parts shall come into force from September 6th, 2023)

## Chapter 1 General Provisions

**Article 1** These *Rules* are made in accordance with the *Trading Rules of Zhengzhou Commodity Exchange* for the purposes of regulating the clearing activities at the Zhengzhou Commodity Exchange (the “**Exchange**”), protecting the lawful rights and interests of the parties in futures trading, safeguarding the public interest, and preventing and mitigating futures market risks.

**Article 2** “Clearing” refers to the calculation and transfer of the margin, profits and losses, service fees, delivery payments, and other payables and receivables of Members in accordance with trading results and the rules of the Exchange.

**Article 3** The Exchange organizes central clearing of futures trades as a central counterparty. The Exchange implements such mechanisms as margin requirements, daily mark-to-market, and the Risk Reserve.

**Article 4** The Exchange implements all-member clearing. The Exchange clears trades for Members. Each futures brokerage Member (“**FB Member**”) clears trades for the clients and overseas brokers that are its customers, and each overseas broker clears trades for its clients.

**Article 5** These *Rules* apply to the futures clearing activities at the Exchange. The Exchange, Members, overseas brokers, Futures Margin Depository Banks (“**Depository Banks**”) and their respective staff members as well as clients must comply with these *Rules*.

## Chapter 2 Clearing Organizations

**Article 6** Clearing organizations consist of the Clearing Department of the Exchange and the clearing departments of Members.

**Article 7** The Clearing Department of the Exchange is responsible for the central clearing of futures trading and delivery activities, the management of margin and the Risk Reserve, and the prevention of clearing risks.

All contracts concluded through the Exchange’s trading system must be centrally cleared through the Clearing Department.

**Article 8** The Clearing Department of the Exchange mainly has the following responsibilities:

(1) to prepare Members’ settlement statements and forms;

(2) to process funds transfers;

(3) to compile statistics from, record, and report trading and clearing data;

(4) to handle the payment disputes between Members arising from their trading activities;

(5) to handle the final settlement of trades;

(6) to control the clearing risks;

(7) to manage margin in accordance with applicable rules; and

(8) to handle other clearing-related activities in accordance with applicable rules.

**Article 9** Members, overseas brokers, and clients shall provide cooperation when the Exchange examines their futures trading-related materials such as trading records, clearing and settlement materials, financial statements, and related documentations and books pursuant to the Rules of the Exchange.

**Article 10** Each Member shall set up a clearing department. The clearing department of an FB Member is responsible for trade clearing between the FB Member and the Exchange, clients, and overseas brokers. The clearing department of a Non-FB Member is responsible for trade clearing between the Non-FB Member and the Exchange.

A Member’s clearing department shall properly preserve the trading records, clearing and settlement materials, financial statements, and related documentations and books for possible inquiry and verification.

**Article 11** Clearing-related organizations and their staff members shall maintain the confidentiality of the confidential commercial information that has come into their knowledge during clearing activities.

## Chapter 3 Margin

### Section 1 Opening and Management of Margin Accounts

**Article 12** A Depository Bank is a banking institution designated by the Exchange to assist the Exchange in handling the clearing activities for futures trading.

The Exchange has the right to supervise the futures clearing activities of Depository Banks.

Every Depository Bank shall comply with the *Rules of Zhengzhou Commodity Exchange* *on Designated Depository Banks* and other applicable rules of the Exchange.

**Article 13** The Exchange opens Dedicated Settlement Accounts, for different currencies as necessary, with Depository Banks to deposit Members’ margin and other relevant funds.

**Article 14** A Member shall open dedicated margin accounts with one or more Depository Banks, in such currencies as needed for its businesses, to deposit margin and other relevant funds. The dedicated margin account a Member opens at such branch of a Depository Bank as required by the Exchange is the Member’s Dedicated Funds Account.

**Article 15** Futures-related funds transfers between the Exchange and a Member shall be conducted through the Exchange’s Dedicated Settlement Account and the Member’s Dedicated Funds Account.

**Article 16** The Exchange enforces account segregation with respect to the margin deposited by Members into the Exchange’s Dedicated Settlement Account by establishing an internal subsidiary account for each Member and recording and calculating each Member’s Funds Deposits and Funds Withdrawals, profits and losses, margin, service fees, and other amounts on a chronological and daily basis.

**Article 17** Each FB Member shall enforce account segregation with respect to the margin deposited by the clients and overseas brokers that are its customers by establishing an internal subsidiary account for each and recording and calculating the Funds Deposits and Funds Withdrawals, profits and losses, margin, service fees, and other amounts of each client and overseas broker on a chronological and daily basis. Futures-related funds transfers between an FB Member and a client or overseas broker shall be conducted through one of the dedicated margin accounts of the FB Member.

An FB Member may create an internal omnibus account in the name of an overseas broker and permit the overseas broker to consolidate the funds of one or more overseas clients into the omnibus account. In this case, the FB Member shall handle trade clearing and risk control with respect to the overseas broker through the omnibus account.

Each overseas broker shall enforce account segregation with respect to the margin of its overseas clients by establishing a subsidiary account for each and recording and calculating Funds Deposits and Funds Withdrawals, profits and losses, margin, service fees, and other amounts of each overseas client on a chronological and daily basis.

**Article 18** A Member must submit the Seals Authorization Form and other related materials, all of which must be reviewed and cleared by the Exchange in advance, when opening the Dedicated Funds Account. A Member must submit the ZCE Application Form for Opening Dedicated Funds Account (Member) to the Exchange before using the funds management system.

The Exchange has the right to directly collect any and all receivables from a Member’s Dedicated Funds Account through the corresponding Depository Bank without notice to the Member, and to obtain information about the funds in such account at any time it deems necessary.

**Article 19** The company seal, financial seal, and the seal of the legal representative or of his authorized agent authorized under the Seals Authorization Form, and the electronic seals provided in the ZCE Application Form for Opening Dedicated Funds (Member), are deemed as the valid and effective seals of the Member. A Member shall be solely liable for all consequences arising from the use of such seals.

**Article 20** Any Member that intends to change or close its Dedicated Funds Account shall apply to the Exchange and obtain its prior approval.

**Article 21** Any Member that intends to change its name or transfer its Membership must submit an updated Seals Authorization Form to the Exchange and complete the update procedures for the relevant Dedicated Funds Account.

### Section 2 Margin Management

**Article 22** Margin is classified into Settlement Reserve and Trading Margin.

Renminbi (“**RMB**”) is the clearing and settlement currency at the Exchange. Subject to the approval of the Exchange, Members may use foreign-currency funds, standard warehouse receipts, book-entry Chinese government bonds issued within the Chinese mainland by the Ministry of Finance of the People’s Republic of China (“**PRC**”), and other stable and liquid assets as margin (“**Margin Collateral**”).

**Article 23** Settlement Reserve is the funds deposited by a Member in advance in the Exchange’s Dedicated Settlement Account for trading and clearing purposes. It is the portion of margin not presently in use to maintain current positions in contracts.

The minimum Settlement Reserve balance is RMB 2,000,000 for an FB Member and RMB 500,000 for a Non-FB Member.

Each time that an FB Member accepts the entrustment of an overseas broker for trade clearing service, the Exchange will separately notify the FB Member of the updated minimum Settlement Reserve requirement.

A Member shall meet the minimum Settlement Reserve balance with its own funds in RMB.

**Article 24** The Exchange calculates the interest for the margin funds of each Member based on the amount of cash within the Member’s daily Settlement Reserve balance at a rate no lower than the bank current-deposit rate published by the People’s Bank of China for the corresponding period, and will credit such interest into the Member’s Settlement Reserve in March, June, September, and December each year on the trading day following the date the interest is paid by the relevant Depository Bank. The specific interest rate is determined, adjusted, and published by the Exchange.

**Article 25** Trading Margin is the funds deposited by a Member in the Exchange’s Dedicated Settlement Account as security for contract performance. It is the portion of margin already in use to maintain current positions in contracts. Upon the conclusion of a trade, the Exchange collects Trading Margin at a prescribed percentage of the contract value or by such other method as specified by the Exchange.

For any selling Member that applies to the Exchange for, and is approved of, posting standard warehouse receipts to set off against margin obligations, the Exchange will no longer at time of clearing collect Trading Margin on the short positions (excluding positions that are already enjoying preferential Trading Margin rates pursuant to these *Rules*) corresponding in size to such standard warehouse receipts. The selling Member shall obtain the authorization of the relevant client before submitting such application. Where a client’s standard warehouse receipts intended to enter the delivery matching process are still being used for margin set-off before market close on the Last Trading Day, the selling Member shall, based on the client’s delivery intention, release such standard warehouse receipts from the margin set-off and submit to the Exchange such number of standard warehouse receipts as necessary for Centralized Delivery before the corresponding margin can be released.

Applications relating to margin set-off with standard warehouse receipts will not be accepted during the night session.

**Article 26** The Trading Margin rate applicable to the futures contracts of each product and to the different stages of a contract’s lifecycle is governed by the relevant rules of the Exchange. Trading Margin for positions in the same contract held by the same client through the same Member will be collected based on the size of the long positions only or the size of the short positions only.

**Article 27** The Exchange determines the rates of transaction fees based on the trading volume, turnover, size of positions opened, size of positions closed out, open interest, order quantity, cancellation quantity, order cancellation ratio, and other relevant factors. The Exchange may adjust the transaction fee rates for some or all of the contracts based on market conditions.

The Exchange may reduce the transaction fees payable by a Member. The specific fee reduction plan will be separately developed by the Exchange and may be adjusted based on market conditions.

**Article 28** Any margin funds collected by an FB Member or overseas broker from its client for trading purposes are the client’s property and shall not be used for any other purposes.

**Article 29** The Trading Margin collected by an FB Member from a client or overseas broker shall not be less than the Trading Margin collected by the Exchange from the FB Member.

## Chapter 4 Trade Clearing

### Section 1 Daily Clearing

**Article 30** The Exchange implements daily mark-to-market.

Upon the end of trading each day, the Exchange calculates the profits and losses, Trading Margin, service fees, and other fees and charges for all the contracts based on the daily settlement price; transfers the payables and receivables; and increases or decreases each Member’s Settlement Reserve accordingly.

The daily settlement price for a futures contract that has been executed on a given day is the trading-volume-weighted average of all execution prices of the contract on that day. If an illegal or non-compliant trading activity has undermined the fairness of the daily settlement price, the Exchange has the right to mitigate the adverse impacts of such activity. The daily settlement price for a futures contract that has not been executed on a given day is determined as follows:

(1) If there are outstanding bids and asks for that contract in the Exchange’s computer system by market close on that day, the middle one among the best bid price, best ask price, and the settlement price of the preceding trading day (“previous settlement price”) will be the daily settlement price for that contract.

(2) If bid prices or ask prices for the contract have remained at the limit price in the five (5) consecutive minutes before market close on that day, the limit price will be the daily settlement price.

(3) For circumstances other than (1) and (2) above, the daily settlement price will be determined as follows:

(i) If the price change (%) of the first contract that (a) precedes the unexecuted contract and (b) has been executed on that trading day (“reference contract”) is less than or equal to the price limit of the unexecuted contract, the daily settlement price = the previous settlement price of the unexecuted contract × (1 ± price change (%) of the reference contract). If there are no contracts preceding the unexecuted contract or none of them has been executed on that day, then the Most Active Contract for the product will be the reference contract and the settlement price will be determined by the foregoing method.

(ii) If the price change (%) of the reference contract on that trading day is greater than the price limit of the unexecuted contract, the daily settlement price = the previous settlement price of the unexecuted contract × (1 ± current-day price limit of the unexecuted contract). If there are no contracts preceding the unexecuted contract or none of them has been executed on that day, then the Most Active Contract for the product will be the reference contract and the settlement price will be determined by the foregoing method.

(iii) If there are no contracts preceding the unexecuted contract or none of them has been executed on that day, and the Most Active Contract is also not executed on that day, then the daily settlement price = the previous settlement price of the unexecuted contract. If the daily settlement price determined by the methods above deviates significantly from the fair price, the Exchange may adjust such settlement price and the price limit of the contract will be managed similarly as for a newly listed futures contract.

The “Most Active Contract” refers to the contract with the highest “trading volume × trading unit” value on the current day. If the highest value is shared by two or more contracts, the Most Active Contract is the one with the nearest delivery month.

The Exchange may separately adjust the settlement price of a newly listed contract that has remained unexecuted for three (3) consecutive trading days.

**Article 31** The Clearing Department of the Exchange calculates the current day’s profits or losses of each Member based on the positions closed out and held by that Member and the settlement price of each futures contract on that day. Current day’s profits or losses = close-out profits or losses + unrealized profits or losses + delivery differential.

(1) The Clearing Department calculates the close-out profits or losses based on the positions closed out by the Member according to the following formula:

Close-out profits or losses = profits or losses from closing out historical positions + profits or losses from closing out intraday positions;

Profits or losses from closing out historical positions = Σ [(selling price for the positions closed out – previous settlement price) × size of long positions closed out] + Σ [(previous settlement price – buying price for the positions closed out) × size of short positions closed out];

Profits or losses from closing out intraday positions = Σ [(current day’s selling price for closing out positions – current day’s buying price for opening positions) × size of long positions closed out] + Σ [(current day’s selling price for opening positions – current day’s buying price for closing out positions) × size of short positions closed out].

(2) The Clearing Department calculates the unrealized profits or losses based on the contracts held by the Member and the current day’s settlement prices according to the following formula:

Unrealized profits or losses = unrealized profits or losses on historical positions + unrealized profits or losses on new positions;

Unrealized profits or losses on historical positions = Σ [(previous settlement price – current day’s settlement price) × size of short historical positions] + Σ [(current day’s settlement price – previous settlement price) × size of long historical positions];

Unrealized profits or losses on new positions = Σ [(selling price for the positions opened – current day’s settlement price) × size of short positions opened] + Σ [(current day’s settlement price – buying price for the positions opened) × size of long positions opened];

(3) The Clearing Department calculates the delivery differential based on the contracts of the Member matched for delivery and the current day’s settlement prices and final settlement prices according to the following formula:

Delivery differential = Σ [(current day’s settlement price – final settlement price) × short positions matched for delivery] + Σ [(final settlement price – current day’s settlement price) × long positions matched for delivery].

**Article 32** Current day’s profits and losses are transferred to the corresponding accounts at the time of clearing on the same day. Current day’s profits are credited into the relevant Member’s Settlement Reserve; current day’s losses are debited therefrom.

Any increase in the Trading Margin requirement as of the time of clearing on the current day over that of the preceding day is deducted from the relevant Member’s Settlement Reserve; any decrease is added thereto.

Service fees and other fees and charges are deducted from the relevant Member’s Settlement Reserve. Profits and losses, fees and charges, delivery payments, taxes, option premiums, and other similar payables shall be paid with cash balance in RMB.

**Article 33** The Settlement Reserve balance is calculated as follows:

Current day’s Settlement Reserve balance = preceding trading day’s Settlement Reserve balance + (preceding trading day’s Trading Margin – current day’s Trading Margin) + (current day’s Actual Available Amount of Margin Collaterals – preceding trading day’s Actual Available Amount of Margin Collaterals) + current day’s profits and losses + current day’s net option premiums income + Funds Deposits – Funds Withdrawals – service fees.

The method for calculating the Actual Available Amount of Margin Collaterals is set out in Chapter 6 of these *Rules*.

**Article 34** Upon the completion of daily settlement, the Exchange sends the clearing results to all Members through the member service system. Such clearing results serve as the margin call from the Exchange to any Member whose Settlement Reserve is below the required minimum balance.

Upon issuing the margin call, the Exchange is entitled to deduct a corresponding RMB balance from the Member’s Dedicated Funds Account through the Depository Bank, either directly if possible or after first and unilaterally exchange the Member’s foreign-currency funds into RMB, to ensure the margin call is met.

Any Member receiving a margin call shall deposit sufficient funds to meet the required minimum Settlement Reserve balance before market open of next trading day; failing which, the Member will be prohibited from opening new positions if its Settlement Reserve balance is positive but less than the required minimum balance, or may be subject to forced liquidation by the Exchange if the Settlement Reserve balance is negative.

The Exchange may, based on market risks and margin changes, issue a margin call during trading hours, in which case the relevant Member shall meet the margin requirement within the time prescribed by the margin call. Failing to meet the margin call while having a negative Settlement Reserve balance entitles the Exchange to force-liquidate the Member’s positions.

### Section 2 Funds Deposits and Funds Withdrawals

**Article 35** A Member may deposit funds into the Dedicated Settlement Account of the Exchange (“**Funds Deposit**”) with the funds transfer documentations or via the funds management system. The Exchange will promptly increase the Member’s margin balance after the Depository Bank confirms the receipt of funds.

**Article 36** A Member may only withdraw funds (“**Funds Withdrawal**”) between 8:30 a.m. and 3:00 p.m. each trading day. In the case of a Funds Withdrawal via the fund management system, the Member shall submit a withdrawal request through the system which will be processed by the Exchange following review. In the special circumstance of a Funds Withdrawal through funds transfer documentations, the Member shall affix on them the relevant seals which have been previously filed such that the documentations may be used for accounting purposes. The Exchange may adjust the methods and procedures of Funds Withdrawal based on business needs.

Funds Withdrawal requests will not be accepted and Funds Withdrawal procedures will not be undertaken by the Exchange during the night session.

**Article 37** The following rules apply to the amount of a Funds Withdrawal by a Member:

(1) Where the Actual Cash Balance in the Trading Margin is greater than or equal to 25% of the value of Margin Collaterals (excluding foreign-currency funds posted as margin), amount available for Funds Withdrawal = Settlement Reserve balance – required minimum Settlement Reserve balance;

(2) Where the Actual Cash Balance in the Trading Margin is less than 25% of the value of Margin Collaterals (excluding foreign-currency funds posted as margin), amount available for Funds Withdrawal = Actual Cash Balance in the Settlement Reserve – [value of Margin Collaterals (excluding foreign-currency funds posted as margin) × 25% – Actual Cash Balance in the Trading Margin] – required minimum Settlement Reserve balance.

“**Actual Cash Balance**” refers to the sum of the RMB funds in the account and the equivalent RMB amount of the foreign-currency funds in the account at the applicable haircut. The method for applying haircut to foreign-currency funds is set out in Chapter 6 of these *Rules*.

The RMB amount converted from foreign-currency funds may not be withdrawn in RMB. The amount of foreign-currency funds available for Funds Withdrawals is capped at the amount of foreign-currency funds actually deposited.

The Exchange may make appropriate adjustments to the above rules based on market risks.

**Article 38** The Exchange may restrict Funds Withdrawals by a Member, require a Member to restrict Funds Withdrawals by a client or overseas broker, or require an overseas broker to provide assistance in restricting Funds Withdrawals by a client, if:

(1) such Member, overseas broker, or client is under a case investigation by the Exchange for a suspected major violation;

(2) such Member, overseas broker, or client is under a formal and active investigation by a judicial authority, the Exchange, or any other government agency on the basis of a complaint, tip, trading dispute, or otherwise;

(3) the market is facing significant risks in the opinion of the Exchange;

(4) the Member fails to deposit sufficient RMB funds to meet the required minimum Settlement Reserve balance within the prescribed time limit, or fails to cooperate with the Exchange in carrying out the purchase or sale of foreign currency for a client or overseas broker; or

(5) such action is otherwise deemed necessary by the Exchange.

### Section 3 Clearing Data

**Article 39** Upon the end of each trading day, the Exchange will settle each Member’s profits and losses, transaction fees, margin, and other payables and receivables, and send the current day’s clearing data to Members through paper-based or electronic settlement statements or other methods. The clearing data are the basis for transaction reconciliation and client trade clearing by the Member. If special circumstances prevent the Exchange from providing the clearing data on time, the Exchange will separately announce the time that such data will become available.

**Article 40** A Member shall obtain the clearing data provided by the Exchange on a daily and timely basis, complete statement reconciliation, and properly preserve such data for a minimum of twenty (20) years and, in relation to any futures trade under dispute, until such dispute is resolved.

**Article 41** Any Member that has an objection to the clearing data shall notify the Exchange in writing no later than thirty (30) minutes before market open on the following trading day or, under special circumstances, within two (2) hours after market open on the following trading day; or will be deemed to have acknowledged the accuracy of the clearing results.

**Article 42** At the beginning of each month the Exchange provides to each Member the ZCE Margin Statement of the preceding month as the basis for trading records reconciliation by the Member.

### Section 4 Position Transfer

**Article 43** A Member may apply for a position transfer if:

(1) the Member is no longer able to engage in the futures business or is a party to any merger, division, or bankruptcy approved by a regulatory authority;

(2) there is a violation of the *Risk Control Rules of Zhengzhou Commodity Exchange* which has caused trading risks, delivery violation, or default risks;

(3) there is a change in its principal-client relationship with the relevant overseas broker; or

(4) there is any other circumstance that, in the opinion of the exchange, warrants a position transfer.

In the exceptional circumstance where a Member is facing a business crisis such as bankruptcy but has not yet applied for a position transfer, the Exchange may initiate the position transfer for the purpose of protecting client interests.

**Article 44** In handling a position transfer in accordance with Article 43 of these *Rules*, the Exchange may require one or a combination of the following application materials: declarations by the transferring Member and the receiving Member on consenting to the position transfer, declarations by the relevant clients on consenting to the position transfer, declaration on change of principal-client relationship for clearing services, and a detailed list of the positions affected.

Upon approving a position-transfer application, the Exchange will consult with the Member on the position transfer day.

The Exchange will carry out the position transfer after daily clearing on the position transfer day, and then provide settlement statements that record the positions before and after the position transfer for confirmation by the relevant Members. The Members shall verify and confirm the settlement statements, which may no longer be altered upon such confirmation.

A position transfer only covers the positions in futures and options, excluding the current day’s profits and losses, transaction fees, margin, and other payments.

**Article 45** A client may apply for a position transfer if:

(1) the client engages in futures trading through more than one FB Member; or

(2) there is any other circumstance that, in the opinion of the exchange, warrants a position transfer.

This Article applies similarly to the position transfers by Non-FB Members.

**Article 46** An application for position transfer under Article 45 of these *Rules* shall be made by the client through the transferring Member or by the Non-FB Member itself, and submitted to the Exchange upon the confirmation of the receiving Member.

The Exchange reviews an application on the day it is submitted, and processes the position transfer following market close in the afternoon on the same day.

Position transfer covers the transfer of the positions of the client or Non-FB Member in a certain contract as well as any margin that needs to be transferred. Any margin to be transferred shall be RMB or foreign-currency funds.

The Exchange will deduct the position transfer fee from the Settlement Reserve of the receiving Member, at such rate as to be separately announced by the Exchange.

## Chapter 5 Final Settlement

**Article 47** Any Member that takes part in delivery shall pay delivery fees to the Exchange in accordance with applicable rules. The specific fee rate is determined, adjusted, and published by the Exchange.

The delivery fees will be directly deducted from the relevant Member’s Settlement Reserve by the Exchange at the time of clearing on the matching day.

**Article 48** Delivery payment is collected from and then immediately paid to the relevant account.

**Article 49** The final settlement price is governed by the *Futures Delivery Rules of Zhengzhou Commodity Exchange*. Delivery payment is settled at the final settlement price as further adjusted by any premiums or discounts and packaging fees. The premiums and discounts and packaging fees will be settled at the rates published by the Exchange.

**Article 50** At the time of clearing on the delivery matching date, the Exchange completes clearing for each Member’s matched delivery-month positions at the final settlement price and accounts for the delivery differential, if any, in the Member’s current-day profits and losses.

## Chapter 6 Margin Collaterals

**Article 51** A client or overseas broker’s posting of assets as Margin Collaterals is deemed as a consent for the submission of such assets by its carrying FB Member to the Exchange as margin.

A client, overseas broker, or Member’s posting of assets as Margin Collaterals is deemed as an authorization for the Exchange to undertake the transfer or pledge of such assets.

**Article 52** Subject to the approval of the Exchange, the following assets may be posted as margin:

(1) standard warehouse receipts;

(2) book-entry Chinese government bonds issued within the Chinese mainland by the Ministry of Finance of the PRC;

(3) foreign-currency funds (the type, haircut, and scope of use of such currencies will be separately announced by the Exchange); and

(4) other assets recognized by the Exchange.

The list of securities that may be posted as Margin Collaterals will be determined and publicly announced by the Exchange.

**Article 53** The procedures for posting securities as Margin Collaterals are as follows:

(1) Application

A client or overseas broker shall post securities as margin through its carrying Member, who shall submit an application to the Exchange.

Any Member that posts standard warehouse receipts as margin for a client or overseas broker shall also submit the ZCE Asset Owner Authorization affixed with the client’s signature or seal and sign the relevant agreement with the Exchange.

(2) Verification and Deposit

(i) The Member shall submit the standard warehouse receipts to the Exchange via the e-receipt system to deposit them and, upon the Exchange’s approval, complete the deposit procedures.

(ii) In posting Chinese government bonds as margin, the relevant client, overseas broker, and Non-FB Member shall ensure that the relevant depository account has sufficient quantity of Chinese government bonds and that they are free of title defects. The Exchange will, in accordance with the Member’s application, request the relevant depository to complete the transfer or pledge registration of the Chinese government bonds. The bonds will be posted as margin upon the conclusion of such transfer or pledge registration.

(iii) The verification and deposit of other types of securities shall comply with the relevant rules of the Exchange.

**Article 54** Each application to post standard warehouse receipts as margin shall not be below RMB 100,000 in value.

Each application to post Chinese government bonds as margin shall not be below RMB 1,000,000 in par value.

**Article 55** The market value of Margin Collaterals is calculated as follows:

(1) Standard warehouse receipts: At the time of daily clearing, the Exchange will calculate their market value based on the benchmark price, which is the current day’s settlement price of the nearby futures contract of the corresponding product. Before market close on the current day, the market value will be provisionally calculated based on the previous settlement price of the nearby futures contract as the benchmark price.

(2) Chinese government bonds: The benchmark price of Chinese government bonds is the lowest valuation provided by depositories. At the time of daily clearing, the Exchange will determine the market value of Chinese government bonds based on the clean price of such benchmark price on the preceding trading day. The Exchange reserves the right to adjust the benchmark price of Chinese government bonds.

(3) Other assets: The benchmark price for calculating the market value will be checked by the Exchange.

**Article 56** The post-haircut market value of Margin Collaterals is their “Discounted Value.” The haircuts are determined, adjusted, and published by the Exchange. The Discounted Value of standard warehouse receipts, Chinese government bonds, and other securities shall be no higher than 80% of their market value.

The Exchange will, at the time of daily clearing, make updates to the market value and Discounted Value of Margin Collaterals in accordance with the prescribed benchmark price.

**Article 57** The Maximum Matching Amount of the securities posted by a Member as margin is four times (“Matching Multiplier”) of the Member’s Actual Cash Balance in the Dedicated Settlement Account of the Exchange.

The Actual Available Amount of securities posted by a Member as margin is the lower of the Discounted Value and the Maximum Matching Amount of the securities. After the Member has completed the securities deposit procedures, the Exchange will credit the Actual Available Amount of the securities into the Member’s Settlement Reserve.

The Exchange will, at the time of daily clearing, automatically update the Actual Available Amount of the securities posted by Members as margin based on the foregoing rules.

**Article 58** On the date that Margin Collaterals take effect, the Clearing Department of the Exchange will complete accounting for the Margin Collaterals and increase the relevant Members’ margin balance based on the Actual Available Amount of such Margin Collaterals.

**Article 59** The Exchange reserves the right to adjust the benchmark price, haircut, and Matching Multiplier of Margin Collaterals based on market conditions, which adjustment will be separately announced by the Exchange.

**Article 60** During the period that assets are posted as margin, the Exchange will, when and as necessary under the matching rules for Margin Collaterals, promptly reduce the Actual Available Amount of a Member’s Margin Collaterals upon a decrease of the cash balance of the Member, and promptly increase it upon an increase thereof.

**Article 61** Any interest paid on Chinese government bonds that are posted as margin belongs to the owner of the bonds and will be handled in accordance with the relevant rules of the depository.

**Article 62** Securities shall not be posted as margin for a period beyond their maturity date.

Chinese government bonds will no longer be accounted for in the Actual Available Amount starting from the time of clearing on the first trading day of the month preceding the maturity date. The relevant Member shall withdraw such bonds or release them from pledge before the maturity date.

**Article 63** The Exchange may cancel the margin derived by a Member from Margin Collaterals if:

(1) the Member or overseas broker that posted the Margin Collaterals presents significant risks in its use of funds which may harm the lawful rights or interests of the Exchange;

(2) there is a defect in or major risks associated with the Margin Collaterals; or

(3) such action is otherwise deemed necessary by the Exchange.

The Member shall make up for any shortfall in margin upon such cancellation by the Exchange.

**Article 64** Where a Member fails to meet or is unable to fully meet its Trading Margin obligations and related indebtedness, the Exchange is entitled to dispose of the Member’s Margin Collaterals and prioritize the proceeds toward meeting such obligations and related indebtedness. The Member shall bear any and all losses, fees, charges arising from the disposal of Margin Collaterals.

**Article 65** The Exchange may, when disposing of securities as Margin Collaterals, allow a Member to declare the securities to be disposed of to the Exchange, taking into account such factors as the Member’s indebtedness and asset condition, or may directly select the securities to be disposed of depending on their market liquidity, validity period, disposal efficiency, etc.

Securities can be disposed of through auction，by sale, at a negotiated discount, and in any other ways. The Exchange may determine how to dispose of the securities based on circumstances, and such disposal shall be processed by the Exchange itself or by an entrusted custodian institution in accordance with relevant rules. Where such disposal is to be processed in such public ways as auction, sale, etc., the Exchange may make public all the securities deposited by the Member with the Exchange, and market participants shall submit subscription intentions depending on such securities.

**Article 66** A Member shall make up for any shortfall in margin when withdrawing assets as margin or releasing them from pledge.

Such procedures may be undertaken before 2:30 p.m. each business day.

**Article 67** Where a Member is unable to fully meet its margin and debt obligations with Margin Collaterals in a timely manner, the Exchange is entitled to redeem or realize the Margin Collaterals at the market price for the purposes of meeting such margin obligations and related indebtedness, with any remaining balance returned to the Member. If the proceeds from redemption or realization are not sufficient to cover the margin obligations and related indebtedness, the Exchange is entitled to recover the remaining amount from the Member.

At the time of redemption or realization, divisible assets are redeemed or realized to the extent of the total payable amount of margin obligations, Margin Collateral fees and charges, redemption or realization costs, and other relevant fees and charges; indivisible assets are redeemed or realized in their entirety.

**Article 68** Any Member that posts assets as margin shall pay the relevant service charges to the Exchange at a rate no higher than the lending rate published by the People’s Bank of China for the corresponding period. The amount subject to such service fees and the fee rate are determined, adjusted, and published by the Exchange.

The storage fees and other fees and charges incurred by assets during the period they are posted as margin shall be paid in accordance with applicable rules.

The fees and charges charged by a depository for Margin Collaterals are governed by the rules of the depository.

**Article 69** The Exchange shall establish a system for preserving the documents of the Margin Collateral business and shall improve the corresponding processes. Such documents shall be preserved for the same duration as for accounting documents.

## Chapter 7 Risks and Responsibilities

**Article 70** The Exchange implements a hierarchical responsibility system for the prevention of futures risks. The Exchange is responsible for preventing the risks incurred by Members. Each Member is responsible for preventing the risks incurred by the clients and overseas brokers that are its customers. Each overseas broker is responsible for preventing the risks incurred by its clients.

**Article 71** Each Member shall bear the risks arising from the contracts it executes at the Exchange.

In relation to futures trading organized by the Exchange, the acts of trading, clearing, and delivery and the legal status of relevant assets, such as the trading orders already filled, the futures positions already closed out, the margin already collected, the Margin Collaterals already transferred or pledged as margin, and the standard warehouse receipts already matched for delivery, as well as the measures taken to resolve defaults, shall not be revoked or invalidated by a Member’s entry into bankruptcy proceedings.

For any Member that has entered the bankruptcy proceedings, the Exchange may continue to conduct net clearing with respect to the Member’s open contracts in accordance with the *Trading Rules of Zhengzhou Commodity Exchange* and its detailed implementing rules.

**Article 72** Where any Depository Bank is declared bankrupt or involved in any debtor-creditor dispute, the margin deposited at the bank is not part of its bankruptcy estate or of the assets subject to a freeze or mandatory transfer.

**Article 73** Where any Certified Warehouse is declared bankrupt or involved in any debtor-creditor dispute, any futures commodities stored by futures market participants at, and not owned by, the Certified Warehouse are not part of the Certified Warehouse’s bankruptcy estate or the assets subject to seal-up or seizure.

**Article 74** Where a Member is unable to perform a contract, the Exchange is entitled to take any of the following protective actions against the Member:

(1) drawing on the Member’s Settlement Reserve;

(2) suspending the Member from opening new positions;

(3) carrying out forced liquidation in accordance with applicable rules until the margin released therefrom is sufficient for contract performance;

(4) disposing of the Member’s Margin Collaterals and using the proceeds for contract performance and compensation.

**Article 75** Where a Member is still unable to meet all its debt obligations following the measures in the foregoing Article, the Exchange may:

(1) transfer the Member’s Membership and use the proceeds for contract performance and compensation;

(2) subject to the approval of the Board of Governors, draw on the Risk Reserve for contract performance and compensation;

(3) draw on the Exchange’s own assets for contract performance and compensation; and

(4) seek recovery from Member through legal proceedings.

**Article 76** The Exchange implements a Risk Reserve. The Risk Reserve is a fund established by the Exchange to provide financial guarantees for the operations of the futures market and to cover losses arising from unavoidable risks.

**Article 77** The Risk Reserve is funded by:

(1) 20% of the service fees collected by the Exchange; and

(2) other revenues in compliance with the financial policies of the PRC.

Subject to the approval of the China Securities Regulatory Commission (“**CSRC**”), provisioning for the Risk Reserve may be suspended once its balance reaches a certain threshold.

**Article 78** The Risk Reserve must be accounted independently and deposited in a dedicated account.

**Article 79** The use of the Risk Reserve is subject to the approval of the Board of Governors of the Exchange and shall be reported to the CSRC.

## Chapter 8 Ancillary Provisions

**Article 80** Any violation of these *Rules* will be handled in accordance with the *Rules of Zhengzhou Commodity Exchange on Violations*.

**Article 81** The Exchange reserves the right to interpret these *Rules*.

**Article 82** These *Rules* take effect on September 6th, 2023.

(This English version is for reference ONLY. In case of any inconsistency between the different language versions, the Chinese version prevails.)