

Measures for the Administration of the Futures Trading of Futures Brokerage Members Appointed by Overseas Brokers

Chapter 1 General Provisions

Article 1 These Measures are formulated in accordance with the Trading Rules of Zhengzhou Commodity Exchange and Measures for Membership Management of Zhengzhou Commodity Exchange for the purpose of strengthening supervision on the futures trading of futures brokerage members (hereinafter “FB members”) appointed by overseas brokers.

Article 2 An overseas broker shall refer to a financial institution which is legally established outside the territory of the People’s Republic of China (hereinafter “the PRC”) and qualified by the regulatory authority of the country (or region) where it is located (hereinafter “local regulatory authority”) to accept clients’ funds and trading orders to conduct futures trading for its clients’ in its own name.

Article 3 Any FB member appointed by overseas brokers with futures trading business shall meet the requirements prescribed by China Securities Regulatory Commission (hereinafter “the CSRC”).

Article 4 These Measures shall be applicable to FB members, overseas brokers and their practitioners.

Chapter 2 Business Rules

Article 5 An overseas broker appointing an FB member with futures trading business on behalf of itself shall meet the following requirements:

I. being a financial institution legally registered and established outside the territory of the PRC, and having been qualified by local regulatory authority to accept its clients' funds and trading orders to conduct futures trading in its own name;

II. having operated for more than one (1) year;

III. accepting the supervision by local regulatory authority which has signed a Memorandum of Understanding on regulatory cooperation with the CSRC;

IV. having sound corporate governance structure and internal control system, and having normal and regular operations;

V. having net capital of no less than CNY 30 million or an equivalent amount in foreign currency;

VI. having the business facilities and technical systems which comply with the applicable technical standards and are in sound operation condition;

VII. other requirements prescribed by the Exchange.

Article 6 An FB member shall enter into a written appointment agreement with its overseas broker.

The appointment agreement shall contain the following terms:

I. scope of appointment;

II. minimum margin rate, and the procedure and service charge rate for pledging relevant assets as margin;

III. measures, conditions and procedures of risk management;

IV. types and management mode of client accounts, and clearing procedure;

V. rates of service charges;

VI. use of information and confidentiality issues;

VII. matters, means and time limits of notice;

VIII. measures that could ensure the safety and stability of data transmission;

IX. cooperation procedures and rules with respect to trading, clearing, delivery, funds management, quotes, trading system configuration, client service, risk control, etc.;

X. recourse of losses arising from the forced position liquidation;

XI. circumstances under which losses are not attributable to either party and the solutions to such situations;

XII. amendment to or termination of the agreement;

XIII. liability for any breach of the agreement;

XIV. methods of settling disputes and jurisdiction sovereignty;

XV. application of law;

XVI. other matters required by the Exchange.

An overseas broker shall undertake in the appointment agreement that when involving in the business of futures trading within the territory of the PRC, it shall comply with the laws, administrative regulations and department rules of the PRC as well as the business rules and other provisions and decisions of Zhengzhou Commodity

Exchange (hereinafter “the Exchange”), and that it shall not infringe any legitimate right and interest of its clients and other market participants.

Article 7 After entering into an appointment agreement with an overseas broker, an FB member shall file with the Exchange before conducting relevant businesses.

The FB member shall submit the following materials when filing with the Exchange:

I. a statement of filing;

II. materials provided by the overseas broker which can certify that it have met the requirements prescribed in Article 5, and have the valid proof of identity, resume and seal card with signature of the person in charge of controlling futures trading risks from the overseas broker;

III. materials of relevant business rules, internal control system and risk management system that are related to the futures trading business conducted by the FB member on behalf of the overseas broker;

IV. an appointment agreement signed with the overseas broker;

V. other application materials prescribed by the Exchange.

The Exchange shall determine whether or not to accept the filing request within fifteen (15) trading days after receiving all the materials as required. If the FB member’s filing request is approved, the Exchange shall inform the FB member of the result in writing and assign a filing number to the FB member; if the FB member’s filing request is rejected, the Exchange shall give a written explanation.

Article 8 In case of any amendment to an appointment agreement, an FB member shall submit materials to the Exchange within five (5) trading days before the amendment becomes effective to change previous filings. The Exchange shall verify relevant filing changes in writing with the FB member within ten (10) trading days upon receiving relevant materials.

Article 9 In case of any termination of an appointment agreement, an FB member

shall submit materials to the Exchange within five (5) trading days after the termination of the agreement to cancel relevant filings. The Exchange shall verify the cancellation of filings in writing with the FB member within ten (10) trading days upon receiving the request.

Article 10 An FB member shall open an omnibus capital account for an overseas broker for futures clearing, delivery and other matters of the overseas clients of the overseas broker. The FB member shall collect margin through the omnibus capital account and shall set up ledgers which shall only include the margin details in the omnibus account of overseas brokers and shall not include those of clients which FB members has no authority to see.

Article 11 An overseas broker shall comply with risk control system and other requirements of the Exchange and shall collaborate with the FB member to strictly control risks.

Article 12 An overseas broker shall conduct name verification of its clients, keep the original documents and audio or video files provided by the clients for account opening and apply for a trading code for each of its client in accordance with relevant rules of China Futures Market Monitoring Center (hereinafter “the CFMMC”). An overseas broker shall be obligated to assist an FB member in performing relevant responsibilities of risk management.

The FB member shall assist the overseas broker to open a trading account and acquire a trading code for each overseas client in accordance with the relevant business rules prescribed by the CFMMC.

Article 13 Fund transfer related to futures trading business between an overseas broker and an FB member shall be made through the futures clearing account of the overseas broker and the special margin account of the FB member.

Article 14 An overseas broker shall provide its clients with the quotation information of the Exchange and the trading access to the Exchange, maintain sound operation of its facilities and keep quotation transmission and trading access smooth.

Article 15 An overseas broker shall pass its clients' orders directly to an FB member, and shall not conduct hedging or other trading in private.

Article 16 An FB member shall, after the market close of each trading day, conduct daily clearing for an overseas broker and shall timely notify the overseas broker of the clearing results in the way they agreed upon beforehand.

Article 17 Any business of physical delivery or exchange of futures for physicals that an overseas broker's client participates in shall be handled by the FB member appointed by the overseas broker.

Article 18 An overseas broker shall establish backup system with respect to trading, clearing and other financial data. Clients' archives regarding the account opening, account alteration, account closing, as well as the records of trading orders, clearing, error trades and client complaints and any other business records shall be preserved for no less than twenty (20) years starting from the date of termination of the futures brokerage contract.

Article 19 An FB member shall be responsible for funds checking and risk control of an overseas broker's futures trading on the Exchange.

Article 20 In case that a client terminates its business relationship with an overseas broker, relevant FB members shall assist the overseas broker closing the client's account timely.

Chapter 3 Supplementary Provisions

Article 21 Any violation of these Measures shall be handled by the Exchange in accordance with Measures for Penalties for Violations of Zhengzhou Commodity

Exchange.

Article 22 The Exchange shall reserve the right to interpret these Measures.

Article 23 These Measures shall enter into force from November 9, 2018.

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