

Measures for the Administration of Accounts Involving Actual Controlling Relationship of Zhengzhou Commodity Exchange

Chapter 1 General Provisions

Article 1 These Measures are formulated in accordance with the Trading Rules of Zhengzhou Commodity Exchange for the purposes of strengthening the management of accounts involving actual controlling relationship, maintaining the market order and promoting the healthy development of the futures market.

Article 2 The futures brokerage members (hereinafter “FB members”) and overseas brokers shall notify their clients of the obligations to file their accounts involving actual controlling relationship, duly supervise such accounts, archive and properly store the documents related to the filing and management of the accounts and keep the information filed by these clients confidential.

Article 3 When engaging in futures trading, non-futures brokerage members (hereinafter “non-FB members”) and clients shall comply with applicable laws, regulations, rules and the business rules of Zhengzhou Commodity Exchange (hereinafter “the Exchange”) and accept the Exchange’s management on the accounts involving actual controlling relationship. The clients shall additionally accept the management from the FB members and overseas brokers on such accounts.

Chapter 2 Account Identification

Article 4 The “actual controlling” shall refer to the action or fact of a person (whether an individual or an institution) to control or to significantly influence the trading decisions of another person (whether an individual or an institution) through managing, using, profiting from or disposing of the futures accounts of the latter.

Article 5 According to the principle of “substance over form”, a person shall be deemed to have actual control over the futures account of another person during futures trading if the former:

I. is the controlling shareholder of the latter, namely the capital contribution of the former accounts for 50% or more of the total capital of the latter, or the shares held by the former account for 50% or more of the total shares of the latter, or the former, despite having a capital contribution or shareholding of less than 50%, could nevertheless exercise the voting rights granted by its capital contribution or shareholding to significantly influence the decisions of the shareholders’ meetings or the general meetings of the latter;

II. is the authorized person to open account, the appointed person to place orders, the appointed person to transfer funds, the appointed person to confirm clearing statements or other agent appointed by the latter;

III. is the legal representative, principal partner, director, supervisor or senior manager of the latter, or shares the same legal representative, principal partner, director, supervisor or senior manager with the latter;

IV. is the spouse of the latter;

V. is the father, mother, child, or sibling of the latter and has the decision-making

power or a significant influence over the daily trading activities in the futures account of the latter;

VI. has the decision-making power or a significant influence over the daily trading activities in the futures account of the latter through investment relationship, agreements, financing arrangements or other arrangements;

VII. has consistent trading behaviors with the latter and one of the two parties provides the other party with capitals for futures trading, or has consistent trading behaviors with the latter and the information showed on both parties' trading terminals are consistent;

VIII. has the decision-making power or a significant influence over the daily trading behaviors in two or more futures accounts of the latter;

IX. other circumstances prescribed by China Securities Regulatory Commission or the Exchange.

Chapter 3 Account Filing

Article 6 The clients shall file, change and terminate the actual controlling relationship of their accounts in accordance with relevant provisions of China Futures Market Monitoring Center (hereinafter "the CFMMC"). The Exchange and the CFMMC shall establish an information sharing mechanism for accounts involving actual controlling relationship and use the information of the accounts in accordance with applicable rules.

Article 7 In the case that the accounts held or controlled by a non-FB member are identified as the accounts involving actual controlling relationship, the non-FB member shall complete the account filing procedures to the Exchange within ten (10) trading days after becoming a member of the Exchange.

Article 8 Where there is any change in the actual controlling relationship of the accounts held by non-FB members, the non-FB members shall voluntarily file such changes to the Exchange within ten (10) trading days after the effective date of such changes.

Article 9 In the case that the clients would like to terminate the actual controlling relationship of their accounts, they shall apply to the CFMMC in accordance with relevant provisions, and then the CFMMC shall forward the applications to the Exchange for review. The clients shall submit relevant explanatory documents as required by the Exchange.

In the case that the non-FB members would like to terminate the actual controlling relationship of their accounts, then they shall apply to the Exchange directly and provide relevant explanatory documents as required by the Exchange.

Article 10 If the Exchange, during its daily self-regulation, discovers that an account is in suspicion of involving actual controlling relationship while the account holder fails to have such relationship filed, and if such account is opened by a client, then the Exchange shall be entitled to inquire the related FB member about the account, and the FB member shall timely forward the Exchange's inquiries to the client; if such account is opened by a non-FB member, then the Exchange shall directly inquire the non-FB member. In the case that the client participates in the trading of the specified futures products of the Exchange by appointing an overseas broker, then FB member shall timely forward the Exchange's inquiries to the client, and overseas broker shall timely forward relevant inquiries to the client.

Relevant non-FB members and clients shall timely respond to the Exchange's inquiries in writing and submit relevant documents to the Exchange, and relevant FB members and overseas brokers shall timely submit the inquiry responses and relevant documents provided by clients to the Exchange.

Article 11 In the case that, during the inquiries, clients or non-FB members admit the existence of actual controlling relationship, the clients or the non-FB members shall file such relationship in accordance with the prescribed procedures. In the case that, during the inquiries, the clients or the non-FB members deny the existence of actual controlling relationship, then the clients or the non-FB members shall sign Compliance Statement and Commitment, following which the Exchange shall review the written explanatory documents and take the following measures accordingly:

I. if the facts and reasons given by the clients or the non-FB members are not sufficient and the actual controlling relationship is identified by the Exchange, the Exchange shall order the clients or the non-FB members to file such relationship. If the clients or the non-FB members fail to file within a prescribed time limit, the Exchange may determine that actual controlling relationship exists. If, after investigations, the Exchange fails to identify their accounts as the accounts involving actual controlling relationship in short term, they might be put on the watch list of the Exchange;

II. if the facts and reasons given by the clients or the non-FB members are able to prove that the actual controlling relationship does not exist, the Exchange shall not identify the clients' or the non-FB members' accounts as the accounts involving actual controlling relationship.

Article 12 If the non-FB members or clients are found to conduct any of the following behaviors by the Exchange during inquiries, investigations or identification process, the Exchange shall take the following self-regulatory measures accordingly, and if the circumstances are severe, the Exchange shall deal with their behaviors in

accordance with the Measures for Penalties for Violations of Zhengzhou Commodity Exchange:

I. do not respond or do not truthfully respond to the Exchange's inquiries, or intentionally conceal facts or evade inquiries, and the Exchange shall deal with these behaviors by arranging an interview, issuing a warning letter, restricting fund withdrawal, suspending the establishment of new positions, etc.;

II. do not truthfully file the actual controlling relationship of their accounts or file the actual controlling relationship until the Exchange inquiries, and the Exchange shall deal with such behavior by issuing oral warning, requiring them to submit written explanation, etc.;

III. do not truthfully file the actual controlling relationship of their accounts, do not respond or truthfully respond to the Exchange's inquiries, and their accounts are identified as the accounts involving actual controlling relationship by the Exchange after investigations, and the Exchange shall deal with such behavior by arranging an interview, issuing a warning letter, restricting fund withdrawal, suspending the establishment of new positions, etc.

Article 13 The Exchange shall, in any of the following circumstances, order an FB member or an overseas broker to make corrections and may take such self-regulatory measures as phone notification, arranging an interview, issuing a warning letter and issuing a regulatory opinion letter, and if the circumstances are severe, the Exchange shall deal with the behaviors in accordance with the Measures for Penalties for Violations of Zhengzhou Commodity Exchange:

I. an FB member or an overseas broker fails to promptly, accurately and fully inform the clients of the rules of the Exchange on accounts involving actual controlling relationship;

II. an FB member or an overseas broker fails to promptly, accurately and fully record

and update the information about the accounts involving actual controlling relationship;

III. an FB member or an overseas broker condones, induces, encourages or assists the clients to make false report or conceal facts;

IV. an FB member or an overseas broker fails to properly keep the clients' documents according to applicable rules;

V. an FB member or an overseas broker fails to provide the Exchange with assistance during the Exchange's inquiries about the clients' accounts involving actual controlling relationship, or willfully delays the inquiry progress or conceals, omits facts, etc.;

VI. other circumstances determined by the Exchange.

Chapter 4 Account Management

Article 14 The Exchange shall aggregate the trades and open interest covered by a group of accounts involving actual controlling relationship when implementing rules and regulations on the position limit, trading limit and abnormal trading behaviors.

Article 15 Where there are only clients involved in a group of actual controlling relationship accounts, the quantity of the aggregated open interest shall not exceed the position limit prescribed for a single client.

Where non-FB members are involved in a group of actual controlling relationship accounts, the quantity of the aggregated open interest shall not exceed the position limit prescribed for a single non-FB member.

Article 16 If the aggregated quantity of the newly-opened positions in a group of account controlling relationship accounts within a certain time period exceeds the trading limit prescribed for a single client by the Exchange, the Exchange shall take measures in accordance with the Measures for the Administration of Risk Control of Zhengzhou Commodity Exchange.

Article 17 If the trading activities under a group of account controlling relationship accounts are identified by the Exchange as abnormal trading behaviors including self-trading, frequently placing and canceling orders, placing and canceling large orders and exceeding the position limit prescribed in the Measures for the Administration of Abnormal Trading Behaviors of Zhengzhou Commodity Exchange, the Exchange shall take self-regulatory measures for abnormal trading behaviors against the group of accounts.

Chapter 5 Supplementary Provisions

Article 18 The non-FB members shall be subject to the provisions applicable to clients unless other provisions are stipulated in these Measures.

Article 19 The Exchange shall reserve the right to interpret these Measures.

Article 20 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.)