

Measures for the Administration of Market Makers of Zhengzhou Commodity Exchange

(Revised at the 13th meeting of the 6th Board of Governors on December 29, 2018 and issued in Announcement No.1 [2019] on January 7, 2019, and the revised part shall come into force since the date of promulgation)

Chapter 1 General Provisions

Article 1 These Measures are formulated based on actual market conditions and in accordance with the Trading Rules of Zhengzhou Commodity Exchange for the purposes of regulating market making activities on Zhengzhou Commodity Exchange (hereinafter “the Exchange”), improving trading liquidity and improving the functioning of the market.

Article 2 Market makers shall refer to the legal persons or other economic entities approved by the Exchange to provide two-way quotations and other services for designated futures and option contracts.

Article 3 These Measures shall apply to market making and other relevant activities on the Exchange. The Exchange, market makers and members shall comply with these Measures.

Chapter 2 Qualification Management

Article 4 The Exchange shall introduce market makers on designated products and

publish the names of the market makers.

Article 5 The Exchange shall manage market maker qualifications on a per product basis. An applicant applying for being a market maker shall meet the following requirements:

- I. its net asset value shall be no less than CNY 50,000,000;
- II. it shall have a dedicated department and personnel responsible for market making. Market making personnel shall be familiar with relevant laws and regulations and the Exchange's business rules;
- III. it shall have a sound implementation plan of market making, internal control system and risk management system;
- IV. it shall have no severe record of violating laws or regulations in recent three (3) years;
- V. it shall be equipped with stable and reliable market making technology system;
- VI. it shall have the experience of trading and real or simulated market making recognized by the Exchange;
- VII. other requirements prescribed by the Exchange.

Article 6 An applicant applying for being a market maker shall submit the following paper materials to the Exchange:

- I. an application form for market making qualification affixed with its official stamp and signed or sealed by its legal representative;
- II. the copy of business license affixed with its official stamp;
- III. the original version of the most recent audited financial report or the copy of the

most recent audited financial report stamped by an accounting firm;

IV. a description of post setting and job responsibility of the market making department, and the name list of the person-in-charge of market making business and other relevant staff as well as their resumes;

V. the implementation plan of market making, and a description of its internal control system and risk management system;

VI. a commitment letter of no violation of laws or regulations in recent three (3) years;

VII. a description of the market making technology system;

VIII. a description of trading and real or simulated market making;

IX. other materials requested by the Exchange.

Article 7 An applicant shall sign the Market Maker Agreement (hereinafter “the Agreement”) with the Exchange within ten (10) trading days after receiving the Exchange’s approval notice. After the Agreement is signed, the applicant will become a qualified market maker for relevant products.

Article 8 The Exchange may cancel a market maker’s qualification for a certain product if any of the following circumstances occurs to the market maker:

I. failing to fulfill contractual obligations for two (2) consecutive months or three (3) cumulative months within the period prescribed in the Agreement;

II. no longer meeting the qualification requirements of market makers prescribed in Article 5;

III. any other circumstance as determined by the Exchange or specified by the

Agreement.

Article 9 The Exchange may cancel a market maker's qualification for all products if any of the following circumstances occurs to the market maker:

- I. severely violating laws or regulations;
- II. being prohibited from engaging in securities and futures trading;
- III. being acquired, merged, cancelled, dissolved or declared bankrupt;
- IV. submitting false materials to the Exchange;
- V. any other circumstance as determined by the Exchange.

Article 10 A market maker shall apply to the Exchange one (1) month in advance when it intends to give up its market maker qualification for a certain product.

Article 11 When a market maker gives up its market maker qualification for a certain product or its qualification is canceled, the Agreement will be terminated automatically and immediately after it receives the qualification cancellation notice from the Exchange, and it cannot apply for being a market maker for corresponding product(s) within one (1) year.

Chapter 3 Market Making

Article 12 A market maker shall conduct market making through a dedicated market making ID which cannot be used in any other trading activities except for market making.

A market maker shall apply to the Exchange for altering the market making ID in advance.

The original market making ID shall not be used to open positions once being altered. After relevant positions are closed, the original market making ID shall be timely revoked.

If a market maker for the option market has both long and short positions in one contract under its market making ID, then these positions shall be automatically closed out by the Exchange at the time of settlement.

Article 13 A market maker shall timely close related positions under its market making ID after its market maker qualification is canceled. If there are no other market-making products under its market making ID, new positions shall not be opened and the ID shall be revoked in time.

Article 14 The two-way quotation offered by a market maker includes continuous quotation and request-responded quotation:

I. continuous quotation, which shall refer to the buying and selling price quoted by a market maker continuously and voluntarily within trading hours in accordance with the terms of the Agreement;

II. request-responded quotation, which shall refer to the buying and selling price responded by a market maker to the request for quotation within the trading hours according to the terms of the Agreement.

Article 15 A market maker's quotation consists of product code, buying price, selling price and the quantity of two-way quotation order.

Article 16 The two-way quotations offered by market makers shall be submitted as limit orders.

In terms of option contracts, the market makers shall offer two-way quotations. In terms of futures contracts, the market makers shall offer two-way quotations or both

buying prices and selling prices through limit orders.

The two-way quotations offered by the market makers at which no orders are filled shall be automatically cancelled if the market makers provide new quotations.

Article 17 The Exchange shall be entitled to determine and publish the position limit for market makers.

Market makers may apply to the Exchange for the increment of position limit out of their needs to perform market making obligations.

Chapter 4 Rights and Obligations

Article 18 A market maker can enjoy the rights to pay reduced transaction fees and other rights according to the Agreement and its market making performance,

Article 19 A market maker shall perform the obligations specified in the Agreement.

Article 20 A market maker for futures contracts shall not be obligated to offer quotations in any of the following situations:

I. the market maker shall be automatically exempted from providing quotations for the futures contracts it makes markets for during auction session;

II. the market maker shall be automatically exempted from providing quotations for the futures contracts to which a limit-locked market occurs;

III. the market maker shall be automatically exempted from providing quotations for all the futures contracts on the same underlying when a limited-locked market occurs to the dominant futures contract;

IV. other situations prescribed by the Exchange.

Article 21 A market maker for option contracts shall not be obligated to offer quotations in any of the following situations:

I. the market maker shall be automatically exempted from providing quotations for the option contracts it makes markets for during auction session;

II. the market maker shall be automatically exempted from providing quotations for all the corresponding option contracts on the day when limit-locked markets occur to the underlying futures contracts;

III. the market maker shall be automatically exempted from providing quotations for the option contracts to which limit-locked markets occur;

IV. the market maker shall be exempted from providing quotations for the out-of-the-money option contracts whose prices are lower than the standards stated in the Agreement;

V. any other circumstances as determined by the Exchange.

Article 22 A market maker shall not be entitled to enjoy relevant rights until it has fulfilled the obligations stated in the Agreement within the prescribed period.

Chapter 5 Supervision and Administration

Article 23 The Exchange shall supervise market makers in accordance with these Measures and relevant business rules. Market makers and its futures brokerage members shall cooperate with the Exchange for supervision purpose.

Article 24 Market makers shall provide reasonable quotations according to market conditions.

Article 25 Market makers shall not take advantage of their market maker qualifications to conduct insider trading, market manipulation, fraud and other illegal activities, or to seek other improper profits.

Article 26 A market maker shall establish and improve the information technology management and emergency response mechanism, timely report the information about the development, testing, access and upgrade of the market making technology system to the Exchange, and participate in the relevant tests and emergency drills as requested by the Exchange.

Article 27 The Exchange may evaluate, rank and publish the market making performance of market makers.

Article 28 A market maker shall report to the Exchange in writing within three (3) trading days if there is any change in its controlling shareholders (partners), operation premise, legal representative, person in charge of market making business and his contact information, or there is any significant change in its financial condition and technology system.

Article 29 A market maker shall, as required by the Exchange, report its market making performance and keep the records of trading and risk management for verification.

Article 30 The Exchange can supervise and inspect a market maker's risk management, trading behavior, system operation, business operation and credit status, and the market maker shall be cooperative and collaborative.

Chapter 6 Supplementary Provisions

Article 31 The Exchange shall handle any violation of these Measures in accordance

with the Measures for Penalties for Violations of Zhengzhou Commodity Exchange.

Article 32 The Exchange shall reserve the right to interpret these Measures.

Article 33 These Measures shall enter into force from January 7, 2019.

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