

Guideline for Foreign Exchange Conversion by Members

This *Guideline* is formulated in accordance with the *Circular of the State Administration of Foreign Exchange on Foreign Exchange Administration for Overseas Traders and Brokers Engaging in Futures Trading under Specific Domestic Categories* (Huifa [2015] No. 35) and the related policy FAQs, the market rules of Zhengzhou Commodity Exchange (the “Exchange” or “ZCE”), and other relevant rules.

Pursuant to Article VII of Huifa [2015] No. 35, the foreign exchange (FX) settlement and purchase is only permitted for settling profit or loss from futures trading, paying service fees, settling delivery payments, addressing any funding shortfall in the settlement currency, and settling other amounts related to the trading of specified domestic futures products (“SDFPs”).

I. Terminologies

1. Eligible amount for conversion: The amount that is designated to be converted. It is automatically calculated by member-side systems for each overseas client and overseas broker based on the trading results of SDFPs. It is displayed in the settlement currency.
2. Current day’s net profit or loss on SDFPs = current day’s profit or loss on SDFPs¹ – current day’s transaction fees for SDFPs² + current day’s premium income on SDFPs.
3. Current day’s cumulative net profit or loss on SDFPs = preceding trading day’s cumulative net profit or loss on SDFPs + current day’s net profit or loss on SDFPs – current day’s other expenditures for SDFPs³ – current day’s FX purchased amount.

The preceding trading day’s cumulative net profit or loss on SDFPs is taken to be zero if: (1) the preceding trading day is a cut-off date for FX conversion; (2) the cumulative net profit or loss on SDFPs is below zero (negative); or (3) the profit currency has been changed after the time of

¹Including profits and losses from open and closed-out positions on the current day, etc.

²Including transaction fees for trading, delivery, EFP, pledging assets as margin, warrant transfers, and options exercise/performance, etc.

³Including SDFP-related load-in deposits and SDFP-related storage fees (limited to those collected and transferred by the member or the Exchange on the client or broker’s behalf).

clearing on the preceding trading day.

The current day's FX purchase amount is the total amount of FX purchased by an overseas client or overseas broker during the period from the time of clearing on the preceding trading day to 3:00 p.m. on the current day. The current day's FX purchase amount is taken to be zero if: (1) the FX has been sold during such period; (2) the preceding trading day is a FX cut-off date; or (3) the profit currency has been changed after the time of clearing on the preceding trading day.

4. Current day's RMB balance = preceding trading day's RMB balance + current day's net profit or loss on SDFPs – funds withdrawn + funds deposited.

RMB balance is the RMB-denominated cash balance of an overseas client or overseas broker. The above formulas have taken into account the profit or loss, various fees, and other amounts related to SDFPs. In particular, other amounts are reflected in funds withdrawals.

5. Cut-off date for FX conversion: The fourth Monday of each month (postponed to the next trading day if it falls on a public holiday). If the current day is a cut-off date for FX conversion, the cumulative net profit or loss of an overseas client or overseas broker should not continue to be accrued, and a member should complete FX conversion for overseas client or overseas broker in accordance with the current day's eligible amount for conversion of such overseas client or overseas broker before market close of the next trading day.

II. Basic Principles

1. Settlement currency: RMB. Foreign currency margin can be used for settlement only after it is converted into RMB.

2. Profit currency: Overseas clients and overseas brokers may freely select either RMB or USD as their profit currency, but the choice should be specified in writing in agreement with their carrying members. The profit currency cannot be modified until 6 months later.

3. Types of FX conversion: There are three types, namely FX conversion for daily settlement, FX conversion for delivery payment, and Exchange-forced FX settlement.

4. Eligible amount for conversion: At daily clearing, member-side systems automatically calculate the current day's eligible amount for conversion of each overseas client and overseas broker based on the trading results of SDFPs. Netting of the eligible amount for conversion of

different overseas clients or overseas brokers is not permitted. Once calculated, the current day's eligible amount for conversion may not be changed.

5. FX conversion: Members should complete FX conversion before the prescribed cut-off time. FX conversion must be performed through a designated depository bank qualified to keep custody of margin funds of overseas clients, and executed via the relevant member's dedicated RMB margin account and dedicated foreign currency margin account.

III. FX Conversion for Daily Settlement

A member may use the following table to determine whether it needs to complete FX conversion for its overseas clients and overseas brokers:

Current Day's RMB Balance	Current Day's Cumulative Net Profit or Loss on SDFPs	Profit Currency	Is the Current Day a Cut-Off Date for FX Conversion?	Will the Overseas Client or Overseas Broker Submit an Application for FX Purchase before 11:30 a.m. on the Next Trading Day?	Should FX Conversion be Conducted before 3:00 p.m. on the Next Trading Day?
≥ 0	≥ 0	RMB	—	—	No
		USD	Yes	—	Yes, FX should be purchased
			No	Yes	Yes, FX should be purchased
				No	No
	< 0	—	—	—	No
< 0	—	—	—	—	Yes, FX should be sold, or additional RMB should be deposited to eliminate the shortfall

If the current day is a cut-off date for FX conversion, the member should

complete FX conversion, according to the current day's eligible amount for conversion as calculated by the system, through a designated depository bank before 3:00 p.m. on the next trading day. The cumulative net profit or loss will be reset to zero and accrued daily starting from the next trading day.

If the current day is not a cut-off date for FX conversion, and the eligible amount for conversion is above zero, before 11:30 a.m. on the next trading day (including the night trading session of the current day), the overseas client or overseas broker who has chosen USD as the profit currency may apply to its member for purchase of FX, subject to the eligible amount for conversion, and the member should complete the purchase through a designated depository bank before 3:00 p.m. on the next trading day.

If the current day is not a cut-off date for FX conversion, and the eligible amount for conversion is less than zero (the RMB balance is negative), the member may require the overseas client and overseas broker to deposit additional RMB funds, or complete the settlement of FX on its behalf before 3:00 p.m. on the next trading day to eliminate the shortfall.

Members may find real-time quote on exchange rates through the bank-futures FX portal of depository banks. Based on the available balance in their special margin accounts and other factors, members may choose a designated depository bank and submit a bank-futures FX conversion request. Such requests are classified into FX purchase requests and FX settlement requests, based on the direction of the FX conversion. Each request may contain the FX conversion information for one or more overseas clients and overseas brokers. The requests for overseas individual clients and overseas institutional clients should be submitted separately.

The deadline for reporting FX conversion data to the China Futures Market Monitoring Center (CFMMC) is 5:00 p.m. every trading day. Data for FX conversion completed by designated depository banks before 5:00 p.m. should be submitted to the CFMMC on the same day; those for FX conversion completed after 5:00 p.m. should be submitted on the next trading day.

To meet the business verification and compliance requirements of

designated depository banks, members should timely provide the banks with the required documents for FX settlement and purchase.

IV. FX Conversion for Delivery Payment

Pursuant to Huifa [2015] No. 35 and the related policy FAQs, delivery payments for SDFPs include delivery payments arising from rolling deliveries, centralized deliveries, EFPs involving warehouse receipts, and transfers of warehouse receipts that are settled through the Exchange.

(1) FX settlement for the buyer in delivery

Where the buyer in a delivery is an overseas institution, it may transfer the delivery payment to its carrying member in USD. The member will then convert the payment into RMB through a designated depository bank and send the delivery payment to the Exchange in RMB.

An overseas institution may determine the amount of FX that needs to be converted into RMB based on its available RMB funds. The amount involved in the FX settlement may be less than or equal to, but no greater than, the amount of delivery payment.

The buyer's carrying member should complete the FX conversion and transfer the delivery payment to the Exchange before 9:00 a.m. on the third delivery day.

The buyer's carrying member should complete the FX conversion and transfer the delivery payment to the Exchange before 3:00 p.m. on the EFP approval date, in the case of an EFP involving SDFPs; and before 3:00 p.m. on the transfer processing date, in the case of a transfer of warehouse receipt involving SDFPs.

(2) FX purchase for the seller in delivery

Where the seller in a delivery is an overseas institution and has chosen USD as the profit currency, it should collect delivery payment in USD. In this case, its carrying member should purchase FX through a depository bank and transfer it to the overseas institution.

The amount of FX an overseas institution purchases should be equal to the amount of delivery payment to be received.

The seller's carrying member should complete the FX purchase before market close of the trading day after the third delivery day, of the trading day after the EFP approval date, or of the trading day after the warehouse receipt transfer processing day, as applicable.

(3) Documents of FX settlement and purchase for delivery payments

The supporting document for conducting FX conversion for delivery payment is the Delivery Notice or the Bonded Delivery Clearing Statement issued by the Exchange. Members should timely provide supporting documents to and as required by designated depository banks to satisfy their requirement for the reporting of FX settlement and purchase.

V. Forced FX Settlement

See Article 34 of the *Detailed Rules for Futures Clearing of Zhengzhou Commodity Exchange* for details.

VI. Supervision and Administration

Members should properly retain FX records and data for relevant inspection by the Exchange or regulatory authorities. Any irregularity should be promptly reported to the Exchange.

Overseas clients, overseas brokers, members, and depository banks must conduct FX settlement and purchase according to the actual results of the SDFP trades of overseas clients and overseas brokers. Entities mentioned above should strengthen FX compliance management and refrain from conducting rule-breaking FX conversion through such means as engaging in non-bona fide trades.

Appendix I

Document of Foreign Exchange Settlement and Purchase

Clearing Date	Member ID	Member Name	Client ID	Client Type	Profit Currency	FX Settlement/Purchase	Preceding trading day's cumulative net profit or loss on SDFPs	Current day's profit or loss on SDFPs	Current day's transaction fees for SDFPs	Current day's premium income on SDFPs	Current day's other expenditures for SDFPs	Current day's total FX amount	Current day's cumulative net profit or loss on SDFPs	Current day's eligible amount for conversion	USD balance	RMB balance	Date of record	Time of record	Remark (the current day is a cut-off date for FX conversion / the cumulative net profit or loss is negative)

(1) “Member ID”: means the unique code assigned to the member by CFMMC.

(2) “Client Type”: 0 – individual; 1 – institution.

(3) “Profit Currency”: CNY – RMB (renminbi); USD – U.S. dollar.

(4) “FX Settlement/Purchase”: 0 – FX settlement; 1 – FX purchase.

(5) Current day's cumulative net profit or loss on SDFPs = preceding trading day's cumulative net profit or loss on SDFPs + current day's net profit or loss on SDFPs – current day's other expenditures for SDFPs – current day's FX purchase amount. The preceding trading day's cumulative net profit or loss on SDFPs is taken to be zero if: (1) the preceding trading day is a cut-off date for FX conversion; (2) the cumulative net profit or loss on SDFPs is below zero (negative);

or (3) the profit currency has been changed after the time of clearing and settlement on the preceding trading day. The current day's FX purchase amount is taken to be zero if: (1) the preceding trading day falls on the cut-off date for FX conversion; (2) the FX is settled on the current day; or (3) the profit currency has been changed after the time of clearing on the preceding trading day.

(6) "Current day's total FX amount": means the total amount exchanged by an overseas clearing and delivery principal from the time of clearing on the preceding trading day to before 3:00 p.m. on the current day; positive for FX purchase, negative for FX settlement.

(7) "Remark": for noting such things as the current day being the foreign exchange cut-off date or the cumulative net profit or loss being negative.