

## Appendix 5

# Clearing Rules of the Shanghai International Energy Exchange

(Released and implemented on May 11, 2017; revised on August 2, 2019 for the first time; June 11, 2021 for the second time; October 18, 2021 for the third time; November 26, 2021 for the fourth time; August 11, 2023 for the fifth time)

## Chapter 1 General Provisions

**Article 1** These *Clearing Rules of the Shanghai International Energy Exchange* (hereinafter referred to as the “Clearing Rules”) are made, in accordance with the *General Exchange Rules of the Shanghai International Energy Exchange*, to regulate the clearing of futures trades on or through the Shanghai International Energy Exchange (hereinafter referred to as “the Exchange”), safeguard the legitimate rights of the involved parties and public interest, and manage and mitigate the risks of the futures market.

**Article 2** The Exchange, as a central counterparty, carries out centralized clearing of the futures trading and implements margin requirement, daily mark-to-market, and risk reserve fund, etc.

**Article 3** The Exchange conducts clearing with Members.

Each Member conducts clearing with its own Clients, Overseas Special Participants (hereinafter referred to as the “OSPs”) who authorize the Member to conduct clearing, and Overseas Intermediaries who authorize the Member to conduct trading and clearing (the aforementioned Clients, OSPs and Overseas Intermediaries are collectively referred to as the “Clearing Delivery Principals”).

The Overseas Special Brokerage Participants (hereinafter referred to as the “OSBPs”) and Overseas Intermediaries clear with their Clients.

**Article 4** The Clearing Rules apply to all clearing activities on or through the Exchange. The Exchange, Members, OSPs, Overseas Intermediaries, Clients, Designated Depository Banks and their employees thereof shall abide by the Clearing Rules.

## Chapter 2 Clearing House

**Article 5** The Clearing House refers to the clearing department of the Exchange. The Clearing House is in charge of the centralized clearing, margin management and clearing risk control of futures trading.

**Article 6** The Clearing House undertakes the following responsibilities:

1. control clearing risks;

2. produce settlement statements for Members;
3. conduct fund transfer operations;
4. record and report all cleared trades and related statistics, settlement and purchase of foreign exchange, and other activities;
5. resolve any clearing dispute for Members;
6. conduct delivery settlement;
7. manage margin in accordance with the applicable rules of the Exchange; and
8. conduct other clearing businesses in accordance with the applicable rules of the Exchange.

**Article 7** All the trades executed through the Exchange are subject to centralized clearing by the Clearing House.

**Article 8** The Exchange may inspect the trading records, clearing and settlement information, financial statements, account books and other relevant documents associated with futures trades executed on the Exchange by any Member, OSP, Overseas Intermediary or Client. All Members, OSPs, Overseas Intermediaries and Clients are required to cooperate with the Exchange during inspection.

**Article 9** Each Member shall have a department to undertake the functions and responsibilities of clearing with the Exchange and with its Clearing Delivery Principals respectively, and shall safely keep trading records, clearing and settlement information, financial statements, account books and other relevant documents, and make them available to the Exchange for any inquiry or verification.

**Article 10** Each Member shall designate at least two personnel responsible for conducting settlement and delivery (hereinafter referred to as the “settlement and delivery personnel”). Such settlement and delivery personnel shall meet the qualifications of a futures business practitioner as prescribed by the China Securities Regulatory Commission (hereinafter referred to as the “CSRC”), and obtain a “License of Settlement and Delivery Personnel” from the Exchange after participating in the Exchange’s dedicated training program, passing the test of the Exchange, and consequently being authorized by their employer.

**Article 11** The settlement and delivery personnel are obligated to:

1. conduct deposits and withdrawals of funds on behalf of their employer;
2. access and promptly check the settlement data provided by the Exchange;
3. post and withdraw margin collaterals;
4. conduct delivery operations; and
5. undertake other businesses relating to settlement and delivery.

**Article 12** All settlement and delivery personnel shall present their “License of Settlement and Delivery Personnel” when conducting settlement and delivery business at the Exchange; otherwise, the Exchange will reject the request to engage in such business.

The “License of Settlement and Delivery Personnel” can only be used by the license owner. Any abuse of the license such as forging, tampering, borrowing or lending is prohibited.

**Article 13** Each Member shall implement operational rules and procedures for its settlement and delivery personnel. The settlement and delivery personnel shall keep the operating password secure. Any consequences resulting from improper keeping of the password shall be borne by the Member.

**Article 14** All clearing-related parties and their employees shall not disclose any confidential information regarding the clearing business.

### **Chapter 3 Regular Operations**

**Article 15** The Exchange shall, depending on business needs, open dedicated settlement accounts in various currencies with Designated Depository Banks to deposit margin and relevant funds of its Members.

**Article 16** Each Member shall, depending on business needs, open dedicated margin accounts in various currencies with one or more Designated Depository Banks to deposit margin and relevant funds. Dedicated margin accounts opened with designated branches of Designated Depository Banks, as required by the Exchange, shall be used as Member’s dedicated fund accounts.

**Article 17** The transfer of funds related to futures business between the Exchange and a Member shall be executed between the dedicated settlement account of the Exchange and the dedicated fund account of the Member.

**Article 18** The Exchange shall apply account segregation for the margin deposited by each Member into the Exchange’s dedicated settlement accounts, and shall set up internal ledgers for each Member respectively to record and settle the Member’s deposits and withdrawals, profits and losses, trading margins, option premiums, transaction fees, etc. on a daily basis.

Each time a Member files with the Exchange for undertaking the clearing authorization from an OSP, the Exchange shall set up a separate internal ledger for such Member to record and settle such OSP’s deposits and withdrawals, profits and losses, trading margins, option premiums, transaction fees and others on a daily basis.

**Article 19** The Futures Firm Members (hereinafter referred to as the “FF Member”), OSBPs and Overseas Intermediaries shall apply account segregation for the margins deposited by their Clients, and shall set up an internal ledger for each Client respectively to record and settle the Client’s deposits and withdrawals, profits and losses, trading margins, option premiums, transaction fees, etc. on a daily basis. The transfer of funds related to futures business between an FF Member and its Clients shall be executed between the dedicated margin account of the FF Member and the futures settlement account of its Clients.

The Member shall, in compliance with the preceding article, apply account segregation for the margins deposited by each OSP who authorizes the Member to conduct clearing, and each Overseas Intermediary who authorizes the Member to conduct trading and clearing.

**Article 20** The Exchange, according to the Clearing Rules and other business rules, is entitled to instruct the Designated Depository Banks to collect any receivables from the dedicated fund accounts of Members without notifying such Members.

The Exchange is entitled to enquire the balance and transaction history of a Member's dedicated fund accounts at any time.

**Article 21** A Member who intends to open, rename, replace or close a dedicated fund account shall submit relevant applications to the Exchange for approval. Once the application is approved by the Exchange, the Member shall present the specific notice issued by the Exchange (template available at the official website of the Exchange) to the Designated Depository Bank for relevant account operations.

**Article 22** In the case of a transfer of membership, the transferee shall open a new dedicated fund account.

**Article 23** The Exchange implements margin requirements. Margins are classified into clearing deposits and trading margins.

The clearing currency of the Exchange is Renminbi (hereinafter referred to as the RMB).

**Article 24** The term "clearing deposit" refers to the funds each Member deposits into the Exchange's dedicated settlement accounts for the purpose of futures trading and clearing, which is not yet used as margin for the position held by the Member.

**Article 25** Each FF Member shall at all times maintain a minimum clearing deposit of RMB two million (¥2,000,000.00), and each Non-FF Member shall at all times maintain a minimum clearing deposit of RMB five hundred thousand (¥500,000.00). Each time a Member undertakes a clearing authorization from an Overseas Special Participant or an Overseas Intermediary, the minimum clearing deposit of the corresponding internal ledger under such authorized Member will be separately announced by the Exchange.

**Article 26** The minimum clearing deposit of a Member shall be paid in RMB with the Member's own funds.

**Article 27** Based on the demand deposit rates published by People's Bank of China (hereinafter referred to as the "PBOC") for each currency, the Exchange calculates the interests earned by each Member from the cash balances of the clearing deposits on a daily basis, and transfers the accrued interests to each Member's clearing deposits respectively on the first trading day after the date when Designated Depository Banks make interest payments to the Exchange in March, June, September and December. The specific interest rates to apply shall be determined, adjusted and published by the Exchange.

**Article 28** The term “trading margin” refers to the funds deposited by a Member into the dedicated settlement accounts of the Exchange to ensure the fulfillment of the contract and already used as margin for the position held by the Member. Once a futures trade is executed, the Exchange shall collect margin based on a prescribed percentage of the value of the open position or other methods as prescribed by the Exchange.

The Exchange may collect trading margin in accordance with the gross positions, net positions or the portfolio. Under the following circumstances, the Exchange may collect trading margin from one side only:

1. For a Client holding both long and short positions in futures contracts of the same product and on the books of the same Member or OSBP, the Exchange may collect trading margin solely from the side for which a larger amount of trading margin is required, except for the futures contracts held after the closing of the fifth (5th) trading day prior to the last trading day;

2. For a Non-FF Member or an OSNBP holding both long and short positions in futures contracts of the same product, the Exchange may collect trading margin solely from the side for which a larger amount of trading margin is required, except for the futures contracts held after the closing of the fifth (5th) trading day prior to the last trading day; and

3. Other circumstances the Exchange deems necessary.

**Article 29** The minimum trading margin rate for the futures contracts of each listed product is set forth in the futures contract specifications. The trading margin rates required at various periods of a contract are set forth in the provisions prescribed in the Risk Management Rules of the Shanghai International Energy Exchange.

**Article 30** Margins paid by Clearing Delivery Principals to a Member belong to such Clearing Delivery Principals, and shall be deposited into the Member’s dedicated margin accounts.

Margins shall be used for trading and clearing only, and shall not be misappropriated.

**Article 31** The level of trading margin that a Member imposes on a Clearing Delivery Principal shall not be lower than the level of trading margin that the Exchange imposes on the Member.

**Article 32** The Exchange implements daily mark-to-market.

After the close of each trading day, the Exchange shall settle the profit or loss, trading margin, transaction fees, taxes and other fees for each Member based on the settlement price of each contract, and conduct a transfer of the net balance of the Member’s receivables and payables by increasing or decreasing the Member’s clearing deposit accordingly.

**Article 33** The Exchange shall charge transaction fees based on the volume of contracts traded on that day and relevant specifications, and may, based on market conditions, charge order fees and other fees from specific Clients, and a part of or all of the Members and/or OSPs for listed products or contracts, unless otherwise prescribed by the Exchange.

**Article 34** The daily settlement price for the futures contract that is traded on a particular day is the volume-weighted average price for contracts executed on that day.

For an untraded futures contract on that day, the settlement price is set as follows:

1. if, by the close of the trading day, there are bids or asks in the Exchange's central order book, the median quote among the best bid, the best ask and the settlement price of the previous trading day will be the settlement price for the contract;

2. if, for the last five (5) minutes before the close of trading, there is only one-side quote for the contract in the Exchange's central order book at the limit price of the day, that quote will be the settlement price for the contract; or

3. except for the above two (2) scenarios provided in Article 34-1 and Article 34-2, the settlement price for the untraded contract will be calculated in the following formulas:

(1) if the price variation (%) of the nearest contract on that trading day is no greater than the price limit of the untraded contract, the settlement price = the settlement price of the previous trading day of the untraded contract  $\times (1 \pm \text{the price variation (\%)} \text{ of the nearest contract})$ ;

(2) if the price variation (%) of the nearest contract is greater than the price limit of the untraded contract, the settlement price = the settlement price of the previous trading day of the untraded contract  $\times (1 \pm \text{the price limit of the untraded contract})$ ;

(3) if no contract prior to the untraded contract is traded on that day, which implies that the price variation (%) of the nearest contract cannot be determined, the settlement price = the settlement price of the previous trading day of the untraded contract.

"nearest contract" is the contract which is traded for the day and is the nearest prior to the untraded contract.

**Article 35** If any of the following circumstances occurs to futures market participants, the Exchange may adjust the daily settlement price and the final settlement price:

1. A futures market participant conducts wash trades through his/her own account or the accounts involving actual control relationships, which severely affects the final settlement price or the result of the exercise of options contracts;

2. A futures market participant conducts other illegal activities that result in abnormal fluctuation or instantly severe deviation of the transaction price from the market price and severely affect the final settlement price or the result of the exercise of options contracts.

**Article 36** The settlement price of a futures contract on a trading day is the basis for computing the profit or loss of the day. The formula is as follows:

The profit or loss of the day =  $\sum [ (\text{the executed price of each sell order filled of the day} - \text{the settlement price of the day}) \times \text{the volume of each sell order filled} ] + \sum [ (\text{the settlement price of the day} - \text{the executed price of each buy order filled of the day}) \times \text{the volume of each buy order filled} ] + (\text{the settlement price of the previous trading day} - \text{the settlement price of the day}) \times (\text{the$

short positions of the previous trading day – the long positions of the previous trading day)

**Article 37** The profit or loss of the day shall be credited to or debited from the Member's clearing deposit as part of the daily clearing process conducted by the Exchange.

The excess or deficiency in the trading margin of the day against that of the previous trading day shall be credited to or debited from the Member's clearing deposit.

Transaction fees, option premiums, and taxes fees shall be debited from the Member's clearing deposit. Payments such as profit or loss, fees, option premiums, and delivery payments must be paid in cash in RMB.

**Article 38** The balance of clearing deposit is computed as follows:

The clearing deposit balance of the day = the clearing deposit balance of the previous trading day + the trading margin of the previous trading day – the trading margin of the day + the actual available value of margin collaterals of the day – the actual available value of margin collaterals of the previous trading day + the profit or loss of the day + option premiums paid or received of the day + the deposit of funds – the withdrawal of funds – transaction fees and other expenses

The formula to calculate the value of margin collaterals is specified in Chapter 6 of *these Clearing Rules*.

**Article 39** If, after the completion of daily clearing, the clearing deposit balance of any internal ledger of a Member with the Exchange is lower than the prescribed minimum requirement, such clearing result shall be deemed as the Exchange's margin call to the Member, and the gap between the two amounts shall be the amount of additional funds required by the margin call.

**Article 40** Following the margin call, the Exchange may instruct Designated Depository Banks to debit the funds from the Member's dedicated fund account and credit the funds to the Exchange's dedicated settlement account. If a deficiency still exists, the Member shall make it up prior to the market opening of the next trading day. In the event the Member fails to make it up, the following shall apply:

1. If the clearing deposit balance of any internal ledger of the Member with the Exchange is no less than zero, the corresponding Member or OSP of such internal ledger shall not open any new position;

2. If the clearing deposit balance of any internal ledger of the Member with the Exchange is lower than zero, the Exchange shall implement forced position liquidation or take other measures according to the *Risk Management Rules of the Shanghai International Energy Exchange*.

**Article 41** The Exchange may, at its sole discretion, implement intraday clearing and call for additional margins according to market risk conditions and margin variations. The Member shall, within the time specified by the margin call, cover the margin shortfall; otherwise, the provisions of Article 40 of these Clearing Rules shall apply.

**Article 42** After the completion of daily clearing, the clearing deposit balance in RMB of any internal ledger of a Member shall not be lower than the minimum clearing deposit; otherwise, the Exchange may debit corresponding funds in RMB from the Member's dedicated fund account. If a deficiency still exists, the Member shall make it up prior to market opening of the next trading day. If the Member fails to make it up in time, the Exchange may impose forced foreign exchange conversion by converting the Member's foreign currency funds in its dedicated fund account or in the Exchange's dedicated settlement account into RMB.

**Article 43** A Member may transfer fund in any of the following ways:

1. Bank transfer. A Member shall submit deposit or withdrawal applications through BECK system or by other means as prescribed by the Exchange.

Deposit applied before the market close shall be verified by the Exchange and released for execution of the transfers before the end of daily clearing; withdrawal applied before the market close shall be verified by the Exchange and released together for execution of the transfers after the daily clearing; deposit or withdrawal applied after the market close shall be verified by the Exchange and released for execution of the transfers on the following trading day.

During trading hours, unrealized profit/loss or related funds are not eligible for withdrawal, while other withdrawal applications may be submitted to the Exchange.

During continuous trading hours, the Exchange will not verify or approve any application to withdraw fund.

2. Bill payment. Subject to the Exchange's approval, a Member may deposit funds by check, promissory note or credit voucher drawn on the Member's dedicated margin account. Upon the confirmation of account credit, the Exchange shall increase the Member's clearing deposit before the next trading session starts.

**Article 44** Each Member shall comply with the Exchange's rules when making withdrawal of funds. The maximum amount of funds that a Member may withdraw is as follows:

1. When the actual available value of margin collaterals is greater than or equal to 80% of the trading margin:

Withdrawable amount = the current cash balance – the trading margin × 20% – the minimum clearing deposit; or

2. When the actual available value of margin collaterals is lower than 80% of the trading margin:

Withdrawable amount = the current cash balance – (the trading margin – the actual available value of the margin collaterals) – the minimum clearing deposit.

The current cash balance refers to the total amount of the RMB cash balance and the RMB equivalent of the foreign currency cash collaterals after haircut. Details of the calculation are specified in Chapter 6 of these Clearing Rules.

According to market risk conditions and types of eligible foreign currencies, the Exchange may,

in its sole discretion, make appropriate adjustments to the amount of funds that a Member may withdraw.

**Article 45** Should any of the following circumstances occurs to a Member, an OSP, an Overseas Intermediary or a Client, the Exchange may restrict the withdrawal of funds by the Member, or require the Member to restrict the withdrawal of funds by the OSP or Overseas Intermediary, or require the Member, the OSBP or the Overseas Intermediary to cooperatively restrict the withdrawal of funds by its Clients:

1. being investigated by the Exchange for possible severe violation of the Exchange's rules;
2. being investigated by any judicial authority, the Exchange, or any relevant agency due to complaints, whistle-blowing or any trade dispute, etc.;
3. under significant market risk conditions as determined by the Exchange;
4. other circumstances as deemed necessary by the Exchange.

**Article 46** After the completion of daily clearing, each Member shall obtain the relevant clearing data from the member service system.

**Article 47** In the event the Exchange fails to provide clearing data in time due to special conditions, the Exchange shall announce the time when the data will be delivered.

**Article 48** Each Member shall promptly retrieve the clearing data provided by the Exchange and conduct reconciliation every day.

The clearing data shall be maintained for at least twenty (20) years, whereas those data relevant to any trading dispute shall be kept until the dispute is resolved.

**Article 49** If a Member disagrees with the clearing data of the day, the Member shall notify the Exchange in writing no later than thirty (30) minutes prior to the opening of the next trading day. Under special circumstances, the Member may notify the Exchange of the disagreement in writing within two (2) hours following the opening of the next trading day. The Exchange will deal with such requests and provide feedbacks in time.

If no objection is raised to the Exchange within the aforementioned period of time, the Member shall be deemed to have acknowledged the accuracy of the clearing data.

**Article 50** After the completion of daily clearing, the Exchange shall deliver the fund transfer data of each Member to the relevant Designated Depository Banks. Each Designated Depository Bank shall promptly execute the transfer of funds and provide feedbacks of the results to the Exchange in time.

**Article 51** The Exchange shall provide to each Member, on the first trading day of every month, the Fund Settlement Statement (stamped with "INE CLEARING") and the invoice of transaction fees for the previous month which can be cross-referenced by the Member for reconciliation.

**Article 52** Should any of the following circumstances occur to a Member, the Member and its Clearing Delivery Principals may apply to the Exchange for position transfer approval:

1. being unable to continue the futures related business for certain reasons;
2. being involved in merger, division or bankruptcy;
3. change of the clearing authorization;
4. other circumstances prescribed by the Exchange.

The Exchange may require the Member to submit one or more application documents, including a declaration of consent to the position transfer by both the transferring Member and the receiving Member, declarations of consent to the position transfer by Clients, a declaration of change of clearing authorization, and a complete list of relevant positions.

Under special circumstances, such as when a Member goes bankrupt but has not yet applied for position transfer, the Exchange may, for the purpose to protect Clients' interests, activate the contingency plan to transfer the positions for related Clients.

**Article 53** After an application for position transfer is approved, the Exchange and related Members shall jointly specify a trading day as the position transfer settlement day.

**Article 54** The process of position transfer shall only apply to the open position and the trading margin. Any other payables or receivables, such as profit or loss, transaction fees, taxes, or clearing deposits shall not be included, but shall be settled by the transferring Member.

**Article 55** The Exchange shall transfer the positions for the Member after the daily clearing is completed on the position transfer settlement day, and provide relevant settlement statements before and after the transfer to the relevant Members.

Relevant settlement statements shall be verified and confirmed by the relevant Members, and once confirmed, shall not be changed.

#### **Chapter 4 Delivery Settlement**

**Article 56** Contract may be physically delivered or cash settled.

In a physical delivery, the parties shall close their open positions in the expired contract by transferring the ownership of the contract's underlying commodity in accordance with the rules and procedures of the Exchange.

In a cash settlement, the Exchange will credit or debit the profits or losses of the parties calculated based on the final settlement price and close their open positions in the expired contract after market close on the last trading day of the contract.

**Article 57** The final settlement price is the benchmark price for delivery settlement of a futures contract. Details of the calculation are specified in the *Delivery Rules of the Shanghai International Energy Exchange*.

**Article 58** The Exchange may charge delivery fees from Members (either as buyers or sellers) that participate in delivery. The fee schedule is stipulated in the *Delivery Rules of the Shanghai International Energy Exchange*.

**Article 59** In a physical delivery, the Exchange shall ensure the fulfilment of payment obligations from the Member as buyer before allowing the Member as seller to make the physical delivery. The payments may be made via either in-house transfer or bank transfer.

For a Member choosing in-house transfer, the in-house transfer applications shall be submitted to the Exchange by 14:00 on the third delivery day. If a Member as buyer fails to fulfil its payment obligations before 14:00 on the third delivery day, the Exchange may initiate an in-house transfer to debit the funds from the clearing deposit of the Member.

For a Member choosing bank transfer, the Member as buyer may send the delivery payment to the Exchange's dedicated settlement account by credit voucher, check, promissory note, or other means deemed suitable by the Exchange; the Member as seller shall receive the delivery payment from the Exchange in the Member's dedicated fund account.

**Article 60** In a physical delivery, the buyer and seller shall calculate payment based on the final settlement price of the futures contract with adjustments of premiums or discounts determined by the Exchange according to different grades, qualities, places of production, delivery venues, etc.

**Article 61** In a physical delivery, the issuance of invoices during delivery settlement shall follow the relevant provisions of the People Republic of China (PRC).

The Exchange shall issue invoices to the Members as buyers, and receive invoices from the Members as sellers. Members as buyers shall issue invoices to their Clearing Delivery Principals and receive invoices from the Exchange; Members as sellers shall issue invoices to the Exchange and receive invoices from their Clearing Delivery Principals. Members as sellers shall submit the invoices to the Exchange no later than 15:00 on the last delivery day.

**Article 62** In a physical delivery, if the submission of invoice is delayed by a Member as seller for three (3) to ten (10) days, a fine shall be imposed at a daily rate of 0.5 ‰ of the delivery payment amount; if the submission is delayed for eleven (11) to thirty (30) days, a fine shall be imposed at a daily rate of 1‰ of the delivery payment amount; if the submission is delayed for more than thirty (30) days, it shall be deemed an invoice failure and a default penalty of 15% of the delivery payment shall be imposed.

**Article 63** In a physical delivery, if a Member as seller completes the submission of standard warrant as required before 15:00 on the first delivery day, the Exchange shall return the margin on the corresponding positions for delivery during the clearing of the day.

If a Member as buyer completes the payment for delivery before 14:00 on the third delivery day, the Exchange shall return the margin on the corresponding positions for delivery during the clearing of the day; whereas if such payment for delivery is completed after 14:00, the Exchange shall return the corresponding margin during the clearing of the next trading day.

If a Member as seller fails to submit the invoice to the Exchange by 14:00 on the third delivery day, the Exchange shall collect margin of no less than 15% on the corresponding positions for delivery at the final settlement price. If the Member submits the invoice before 14:00 on the fourth or fifth (last) delivery day, the Exchange shall return the corresponding margin during the clearing of the day; if the invoice is submitted after 14:00, the Exchange shall return the corresponding margin during the clearing on the next trading day.

**Article 64** If there are separate provisions on the procedures of delivery settlement and invoice circulation in the *Delivery Rules of the Shanghai International Energy Exchange*, such provisions shall prevail.

## Chapter 5 Authorized Clearing

**Article 65** If an Overseas Intermediary authorizes an FF Member or an OSBP to conduct trading and clearing, a written carrying-brokerage agreement shall be entered into by both parties, and filed with the Exchange before the carrying-brokerage business.

The carrying-brokerage business conducted by an FF Member for an Overseas Intermediary shall be consistent with the relevant provisions stipulated in the *Membership Management Rules of the Shanghai International Energy Exchange*. The carrying-brokerage business conducted by an OSBP for an Overseas Intermediary shall be consistent with the relevant provisions stipulated in the *Overseas Special Participants Management Rules of the Shanghai International Energy Exchange*.

**Article 66** Each OSP shall, and shall only authorize one Member to conduct clearing.

**Article 67** The Authorized Clearing Agreement signed between a Member and an OSP shall include:

1. minimum clearing deposit and trading margin requirements;
2. assets that can be used as margin collateral and the related fee schedule;
3. the measures, conditions and procedures of risk management;
4. account type, business management mode and the clearing procedures, including the time and methods to retrieve, inquire and confirm the clearing data;
5. transaction fee schedule;
6. items, means and deadlines of notice;
7. circumstances of any loss not attributable to either party of the bilateral agreement and resolutions under such circumstances;
8. amendment to or termination of the agreement;
9. liabilities for breach of the contract;
10. dispute resolution; and
11. other matters.

**Article 68** The transfer of funds related to futures business between an authorized clearing Member and the authorizing OSP, or between an authorized FF Member and the authorizing Overseas Intermediary, shall be executed between the dedicated margin account of the Member and the futures settlement account of the OSP or the Overseas Intermediary.

A Member who is authorized to conduct trading and clearing on behalf of its Overseas Intermediaries or is authorized to conduct clearing on behalf of its OSBPs, may open an omnibus margin account in each Overseas Intermediary's or OSBP's name so as to record funds and transactions of one or more overseas Clients of such Overseas Intermediary or OSBP. Such Member shall conduct unified clearing and risk control on the Overseas Intermediary or the OSBP via the omnibus margin account.

**Article 69** Under any of the following circumstances, the Exchange may change the authorized clearing relationship for the authorized clearing Member and the authorizing OSP:

1. expiration of the Authorized Clearing Agreement without extension;
2. early termination of the Authorized Clearing Agreement;
3. the Member, for certain reasons, is unable to conduct clearing for the OSPs; or
4. other circumstances determined by the Exchange.

**Article 70** Under the circumstances described in Article 69-1, the OSP, the previous authorized clearing Member and the newly authorized clearing Member, shall submit the following documents no later than the tenth (10<sup>th</sup>) trading day prior to the expiration of the Authorized Clearing Agreement for the change of clearing authorization:

1. an application letter for change of the authorized clearing relationship;
2. the Authorized Clearing Agreement signed by the OSP and the newly authorized clearing Member; and
3. other materials as prescribed by the Exchange.

Upon receiving complete documents, the Exchange shall review the documents within ten (10) trading days. After the application is approved, the Exchange shall specify a trading day as the settlement day for the change of authorized clearing.

**Article 71** Under the circumstances as provided in Article 69-2 and Article 69-3, the OSP, the previous authorized clearing Member and the newly authorized clearing Member shall submit the documents as stipulated in Article 70, as well as the agreement to terminate the existing clearing authorization, to the Exchange. After receiving complete documents, the Exchange shall review the documents within ten (10) trading days. After the application is approved, the Exchange shall specify a trading day as the settlement day for the change of authorized clearing.

**Article 72** After the clearing on the specified settlement day, the Exchange shall conduct the change of authorized clearing process, which includes the transfer of open positions, the corresponding trading margin, clearing deposits and other relevant funds, and issue detailed lists of such transfers. The previous authorized clearing Member and the newly authorized clearing Member

shall verify and confirm such lists. The OSP shall authorize the previous authorized clearing Member and the newly authorized clearing Member to verify and confirm.

If, after the clearing on the specified settlement day, any significant market risk condition or other circumstances as prescribed by the Exchange occurs, the Exchange may temporarily suspend the change of authorized clearing process.

The OSP, the previous authorized clearing Member and the newly authorized clearing Member shall cooperate with the Exchange on the change of authorized clearing process. Before the process is fully completed, the previous authorized clearing Member shall be responsible for the clearing of all open positions being authorized.

## Chapter 6 Margin Collaterals

**Article 73** A Client, an Overseas Intermediary, or an OSP that uses any assets as margin shall be deemed to have given consent to its carrying FF Member to submit the assets to the Exchange as margin.

A Client, an OSP, an Overseas Intermediary, or a Member that uses any assets as margin shall be deemed to have authorized the Exchange to transfer the assets or register them as pledged collateral.

**Article 74** Subject to the Exchange's approval, the following assets may be used as margin:

1. standard warrants;
2. book-entry government bonds issued by the Ministry of Finance of the People's Republic of China in the Chinese Mainland;
3. foreign exchange (types of currencies, haircuts and scopes of application, among others, shall be prescribed by the Exchange separately); or
4. other assets recognized by the Exchange.

The specific assets that can be used as margin will be determined and published by the Exchange.

**Article 75** In each instance where government bonds are posted as margin collaterals, the total face value of such bonds shall be at least RMB one million yuan (¥1,000,000).

**Article 76** Procedures for using marketable securities as margin:

1. Application: A Client, an OSP, or an Overseas Intermediary shall post marketable securities as margin through its carrying FF Member. The FF Member shall apply to the Exchange for completing the process at such time as separately announced by the Exchange.

2. Verification and posting:

(1) A Member shall submit the standard warrants intended to be margin to the Exchange through the Standard Warrant Management System. Once approved by the Exchange, the standard warrants will be deemed as duly posted.

(2) A Client, an OSNBP, or a Non-FF Member that intends to post any government bonds as margin shall ensure the government bonds in its depository account are sufficient in quantity and free of title defect. The Exchange will request the depository to transfer the government bonds or register them as pledged collateral based on the carrying Member's application. Posting is deemed complete after such transfer or registration.

(3) Verification and posting of other types of marketable securities shall be subject to the rules of the Exchange.

**Article 77** The value of the margin collateral shall be calculated as follows:

1. For standard warrants used as margin collateral, the Exchange will, at daily clearing, use the settlement price of the day for the front-month futures contract of the underlying product as the benchmark price for calculating the market value of the standard warrants.

Prior to the market close of the day, the Exchange will first use the settlement price of the previous trading day as the benchmark price for calculating the market value.

2. For government bonds used as margin, the benchmark price shall be the lowest of the valuations provided by the depository. At daily clearing, the Exchange will use the net of the benchmark price of the government bonds of the previous trading day for calculating the market value. The Exchange has the right to adjust such benchmark price.

3. The benchmark price for calculating the market value of other margin collaterals shall be determined by the Exchange.

**Article 78** The market value of margin collateral after applying a haircut is called the value after haircut. Specific haircuts will be determined, adjusted, and published by the Exchange, and the value of such marketable securities as standard warrants and government bonds after haircut shall not exceed 80% of their market value.

At daily clearing, the Exchange will adjust the market value and the value after haircuts of margin collaterals based on the prescribed benchmark prices.

**Article 79** The maximum margin paid with marketable securities ("Multiplier-Based Cap") by a Member shall not exceed four (4) times ("Cash Multiplier") its current cash balance as shown in any of its internal ledger with the Exchange. The Exchange takes the actual available value of a Member's margin collaterals as the lower of the value after haircut and the Multiplier-Based Cap. Once a Member completes the deposit of marketable securities used as margin collaterals, the Exchange will credit the actual available value of the securities to the Member's clearing deposit.

At daily clearing, the actual available value of the marketable securities used as margin will be automatically adjusted by the Exchange based on the above principles.

**Article 80** The Exchange has the right to adjust the benchmark price, haircut, and Cash Multiplier of margin collaterals according to market conditions and will separately announce them.

**Article 81** Any interest paid on any government bonds used as margin shall be attributed to the owner and be handled in accordance with the applicable regulations of the depository.

**Article 82** The period during which any securities may be used as margin shall not exceed the securities' validity period as set by the Exchange. Upon expiration, the securities shall be applied again as margin.

**Article 83** Any government bonds used as margin will no longer be included in the actual available value starting from the time of settlement on the first trading day of the month prior to the treasury bonds' maturity date. A Member holding such government bonds shall have them withdrawn or released from pledge before maturity.

**Article 84** If any of the following circumstances arises, the Exchange may cancel the quota granted to the relevant Member in relation to its margin collateral:

1. the withdrawal or use of funds by a Member, an OSP or an Overseas Intermediary involves significant risks or even jeopardizes the legitimate rights and interests of the Exchange;
2. deficiencies or significant market risks occur to the margin collaterals ; or
3. other conditions as deemed necessary by the Exchange.

If the cancellation of quota by the Exchange leads to a shortfall in margin, the Member shall make it up.

**Article 85** A Member that intends to withdraw its margin collaterals or release them from pledge shall make up corresponding margin shortfall and complete the process at such time as separately announced by the Exchange.

**Article 86** A Member shall pay the Exchange for using margin collateral. Such payment shall be computed and collected by the Exchange at the rate that is no greater than the current lending rate set by the PBOC. Details of the amounts and rates shall be determined, adjusted and published by the Exchange.

Fees payable to the depositories for using securities as margins shall be paid according to the relevant provisions of the depositories.

**Article 87** In the event a Member fully or partially fails to perform its obligation to satisfy the trading margin requirements, the Exchange has the right to dispose of the margin collateral of the Member, and will have priority to cover the trading margin shortfall and any other indebtedness in connection with the Member's trading activities with the cash assets realized therefrom. Any loss and expenses arising from such disposal of margin collateral shall be borne by the Member.

## **Chapter 7 Risks and Obligations**

**Article 88** A Member shall fulfil the relevant obligations and responsibilities and assume all the risks associated with the contracts it trades on the Exchange.

The Exchange shall organize futures trading in accordance with the General Exchange Rules. Completed settlement and delivery , cash deposited as margin, assets pledged as margin collateral,

and the sanctions imposed by the Exchange against any default shall not be revoked or considered null and void due to the commencement of bankruptcy proceedings against any Member.

In the event a Member enters into a bankruptcy proceeding, the Exchange may still conduct net settlement for such Member's open positions in accordance with the General Exchange Rules and the related implementing rules.

In the event the Exchange is taken over or enters into bankruptcy for insolvency, Members may be entitled to conduct net settlement for all their open positions in accordance with the General Exchange Rules and the related implementing rules, or in accordance with the agreement entered into with the Exchange.

**Article 89** The Exchange shall implement a tiered risk management structure, i.e., the Exchange shall monitor and manage the risks of the Members, each Member shall monitor and manage the risks of its Clearing Delivery Principals, and each FF Member, OSBP or Overseas Intermediary shall monitor and manage the risks of its Clients.

**Article 90** In the event a Member fails to perform the obligations and responsibilities in relation to the contracts, the Exchange is entitled to take the following actions:

1. disposing of the clearing deposit of the Member;
2. suspending new position opening;
3. forced position liquidation as prescribed in the applicable rules of the Exchange, until the margin released is sufficient to fulfill the relevant obligations and responsibilities; and
4. converting the Member's margin collateral into cash, and using the proceeds therefrom to fulfill relevant obligations and responsibilities.

**Article 91** If the Member still fails to fulfill its obligations and responsibilities after the measures described in Article 90 are taken, the Exchange may take actions in the following order:

1. apply the Exchange's risk reserve;
2. apply the Exchange's own assets.

The Exchange shall, after fulfilling the obligations and responsibilities of contracts, exercise the right of recourse to the Member through legal proceedings.

**Article 92** The Exchange implements risk reserve.

The risk reserve refers to the fund established by the Exchange to ensure smooth operations of the futures market, and to cover any loss arising from unforeseeable risks to the Exchange.

**Article 93** Sources of the risk reserve include:

1. funds extracted by the Exchange from the management expenses which are equivalent to twenty per cent (20%) of the transaction fees; and
2. other revenues in compliance with the fiscal policies of the PRC.

When the balance of the risk reserve reaches the level as prescribed by the CSRC and other regulatory authorities, the Exchange may, with the approval of the CSRC, cease to make any further extraction.

**Article 94** The risk reserve shall be maintained as a segregated class of assets, and shall be deposited in a dedicated account. It shall not be used for any purpose other than the coverage of losses arising from risks.

**Article 95** The extraction of the risk reserve shall be approved by the Board, and be implemented in accordance with the prescribed purposes and procedures after such extraction is reported to the CSRC.

### **Chapter 8 Miscellaneous**

**Article 96** Where there are specific provisions in business rules regarding clearing of options contracts prescribed by the Exchange, those provisions shall apply; to the extent of any matter regarding clearing of options contracts not explicitly stipulated, these rules shall apply. The terms such as “futures market” , “futures business” , “futures-related business” and “futures trading” in these Clearing Rules, shall be deemed to include options business and related activities, unless otherwise prescribed by the Exchange.

Any violation of the Clearing Rules shall be subject to the relevant provisions of *the Enforcement Rules of the Shanghai International Energy Exchange*.

**Article 97** The Exchange reserves the right to interpret the Clearing Rules.

**Article 98** The Clearing Rules shall take effective as of August 18, 2023.