Appendix 1

Changes to the *Clearing Rules of the Shanghai Futures Exchange*

Note: words in red and bold are newly added and those with double strikethrough are deleted.

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| **Draft Amendment** |  **Current Version** |
| **Article 41** The clearing deposit balance is calculated as below: Clearing deposit balance of the day = the clearing deposit balance + preceding trading day’s trading margin - current-day trading margin + actual available margin from collateralized paid with marketable securities of the day - preceding trading day’s actual available margin paid with marketable securities + current-day profits and losses + current-day option premium paid or received + funds deposits - funds withdrawals - fees and other costs.The specific method for calculating the actual available margin paid with marketable securities can be found in relevant provisions of Chapter 6. | **Article 41** The clearing deposit balance is calculated as below: Clearing deposit balance of the day = the clearing deposit balance + preceding trading day’s trading margin - current-day trading margin + actual available margin from collateralized marketable securities of the day - preceding trading day’s actual available margin paid with marketable securities + current-day profits and losses + current-day option premium paid or received + funds deposits - funds withdrawals - fees and other costs.The specific method for calculating the actual available margin paid with marketable securities can be found in relevant provisions of Chapter 6. |
| **CHAPTER 6 MARKETABLE SECURITIES AS MARGIN COLLATERALS** | **CHAPTER 6 MARKETABLE SECURITIES** |
| **Article 66** A Client shall authorize its carrying FF Member to post the marketable securities. Any FF Member’s Client who posts marketable securities to meet margin requirements shall be deemed to have given consent to the FF Member to post the securities to the Exchange as margin collaterals.Any Client or Member who posts marketable securities to meet margin requirements shall be deemed to have authorized the Exchange to transfer the corresponding securities or turn them into pledged assets.When depositing a Client’s marketable securities as margin, the FF Member shall provide a *Client Authorization Letter* that bears the signature and seal of the Client. However, when using a Client’s standard warrant as margin, the Client may authorize the Member through the Standard Warrant Management System and submit the authorization to the Exchange.On each trading day, the Exchange’s clearing house is responsible for accepting marketable securities as margin before market close or prolong even longer as determined by the Exchange under special occasions. | **Article 66** A Client shall authorize its carrying FF Member to post the marketable securities.When depositing a Client’s marketable securities as margin, the FF Member shall provide a *Client Authorization Letter* that bears the signature and seal of the Client. However, when using a Client’s standard warrant as margin, the Client may authorize the Member through the Standard Warrant Management System and submit the authorization to the Exchange.On each trading day, the Exchange’s clearing house is responsible for accepting marketable securities as margin before market close or prolong even longer as determined by the Exchange under special occasions. |
| **Article 67** For the purpose of these *Clearing Rules*, marketable securities shall only include: Subject to the Exchange’s approval, the following marketable securities can be posted as margin collaterals:(i) standard warrants; and(ii) book-entry government bonds issued by the Ministry of Finance of the People’s Republic of China within the Chinese Mainland; or(ii iii) other marketable securities approved by the Exchange. The Exchange will determine and publish the specific marketable securities that can be posted to meet margin requirements. | **Article 67** For the purpose of these *Clearing Rules*, marketable securities shall only include:(i) standard warrants; and(ii) other marketable securities approved by the Exchange.  |
| **Article 68** In each instance where government bonds are posted as margin collaterals, the total face value of such bonds shall be at least one million yuan (RMB 1,000,000). |  |
| **Article 689** When using marketable securities as margin, the following procedures shall apply:(i) Application: A Client shall post marketable securities through the carrying FF Member. A Member intending to post marketable securities as margin shall apply to the Exchange. The processing time will be separately announced by the Exchange. When posting a Client’s marketable securities as margin, the Member shall also provide a *Client Authorization Letter* that bears the signature and seal of the Client. However, when using a Client’s standard warrant as margin, the Client may authorize the Member through the Standard Warrant Management System and submit the authorization to the Exchange. (ii) Verification and posting:1. A Member posting standard warrants as margin shall, subject to the approval of the Exchange, submit the standard warrants through the Standard Warrant Management System to the Exchange. Once approved by the Exchange, the standard warrants will be deemed as duly posted. for posting in accordance with the procedures set forth in the *Standard Warrant Rules of the Shanghai Futures Exchange*. 2. A Client or a Non-FF Member intending to post government bonds as margin collaterals shall ensure that there is sufficient quantity of government bonds, free of title defect, in its depository account. Based on the Member’s application, the Exchange will request the relevant depository to transfer the bonds or register them as pledged. Posting is deemed complete after such transfer or registration.2.3. Verification and post of other marketable securities shall be subject to the rules of the Exchange.  | **Article 68** When using marketable securities as margin, the following procedures shall apply: (i) Application: A Member intending to post marketable securities as margin shall apply to the Exchange. When posting a Client’s marketable securities as margin, the Member shall also provide a *Client Authorization Letter* that bears the signature and seal of the Client. However, when using a Client’s standard warrant as margin, the Client may authorize the Member through the Standard Warrant Management System and submit the authorization to the Exchange.(ii) Verification and posting:1. A Member posting standard warrants as margin shall, subject to the approval of the Exchange, submit the standard warrants through the Standard Warrant Management System to the Exchange for posting in accordance with the procedures set forth in the *Standard Warrant Rules of the Shanghai Futures Exchange*. 2. Verification and post of other marketable securities shall be subject to the rules of the Exchange.  |
| **Article 6970** The market value of collateralized marketable securities shall be calculated as follows:(i) When a standard warrant is used as margin on a given day, the Exchange will, at daily clearing, use the settlement price of the nearest month futures contract for the product underlying the warrant on that day shall be as the benchmark price for calculating the market value. Before market close on that day, the settlement price of the nearest month contract for the product underlying the warrant on the preceding trading day shall be used temporarily as the benchmark price for calculating the market value.(ii) When a government bond is used as margin on a given day, the benchmark price shall be the lowest of the valuations provided by the depository. At daily clearing, the Exchange will use the net value of the benchmark price of the government bonds on the preceding trading day to calculate the market value. The Exchange has the right to adjust such benchmark price. (iiiii) The benchmark prices for calculating the market value of other collateralized marketable securities used as margin shall be determined by the Exchange. | **Article 69** The market value of marketable securities shall be calculated as follows:(i) When a standard warrant is used as margin on a given day, the settlement price of the nearest month futures contract for the product underlying the warrant on that day shall be the benchmark price for calculating the market value. Before market close on that day, the settlement price of the nearest month contract for the product underlying the warrant on the preceding trading day shall be used temporarily for calculating the market value. (ii) The benchmark prices of other marketable securities used as margin shall be determined by the Exchange. |
| **Article 701** The portion of the market value of collateralized marketable securities that can be used as margin collateral is called the value after haircut. Haircuts for marketable securities shall be determined, adjusted and announced by the Exchange, and the value of a standard warrant, or government bond after haircut shall not exceed 80% of its market value. At daily clearing, the Exchange will reset the benchmark prices of marketable securities in accordance with the methods described in Article 69 and adjust their the market value as well as the value after haircuts of the marketable securities accordingly in accordance with the prescribed benchmark price. | **Article 70** The portion of the market value of marketable securities that can be used as margin collateral is called the value after haircut. Haircuts for marketable securities shall be determined by the Exchange, and the value of a standard warrant after haircut shall not exceed 80% of its market value.At daily clearing, the Exchange will reset the benchmark prices of marketable securities in accordance with the methods described in Article 69 and adjust their value after haircuts accordingly. |
| **Article 712**  The maximum margin paid with marketable securities (“Multiplier-Based Cap”) by a Member shall not exceed four times (“Cash Multiplier”) the current cash balance it holds in the dedicated settlement account of the Exchange. The Exchange may adjust the Cash Multiplier of a Member based on market risk conditions and the Member’s credit standing.The Exchange takes a Member’s the lower of the value after haircut and the Multiplier-Based Cap as the actual available margin paid with marketable securities as the lower of the value after haircut and the Multiplier-Based Cap. When the Member completes the deposit of any marketable securities, the Exchange will increase the Member’s clearing deposit by the amount of the corresponding actual available margin. The Exchange shall, in accordance with the principles described above, automatically adjust Members’ actual available margin paid with marketable securities at daily clearing. | **Article 71** The maximum margin paid with marketable securities (“Multiplier-Based Cap”) by a Member shall not exceed four times (“Cash Multiplier”) the current cash balance it holds in the dedicated settlement account of the Exchange. The Exchange may adjust the Cash Multiplier of a Member based on market risk conditions and the Member’s credit standing.The Exchange takes a Member’s actual available margin paid with marketable securities as the lower of the value after haircut and the Multiplier-Based Cap. When the Member completes the deposit of any marketable securities, the Exchange will increase the Member’s clearing deposit by the amount of the actual available margin.  |
| **Article 73** The Exchange has the right to, according to market conditions, adjust the benchmark prices, haircuts, and Cash Multipliers of collateralized marketable securities and will announce them separately.  |  |
| **Article 74** Any interest paid on a government bond while it is posted as margin shall be attributed to its owner and be handled in accordance with the applicable rules of the depository. |  |

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| **Article 725** The term of each deposit of marketable securities as margin shall not exceed the corresponding validity period set by the Exchange. Upon expiration, the validity period may be renewed through the same procedures.  | **Article 72** The term of each deposit of marketable securities as margin shall not exceed the corresponding validity period set by the Exchange. Upon expiration, the validity period may be renewed through the same procedures. |

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| **Article 76** A government bond deposited as margin collateral shall no longer be included in the actual available margin paid with marketable securities starting from the daily clearing on the first trading day of the month prior to the maturity date of the government bond. Any Member holding such a government bond shall have it withdrawn or released from pledge before its maturity. |  |
| **Article 737** The Exchange may cancel a Member’s quota to use marketable securities as margin if:(i) the withdrawal and use of funds by the Member pose significant risks which may undermine the legitimate rights and interests of the Exchange; or(ii) deficiencies or significant market risks occur to the collateralized marketable securities; or(iiiii) any other reason that warrants such cancellation. any other circumstances as deemed necessary by the Exchange.After such cancellation, the Member that fails to meet its margin requirement shall deposit additional margin to eliminate the shortfall. | **Article 73** The Exchange may cancel a Member’s quota to use marketable securities as margin if: (i) the withdrawal and use of funds by the Member pose significant risks which may undermine the legitimate rights and interests of the Exchange; or (ii) any other reason that warrants such cancellation. |
| **Article 748** Any Member that intends to withdraw its collateralized marketable securities or release them from pledge early shall make up for any shortfall in its trading margin. Only then may the Member go through withdrawal procedures and recover the marketable securities. The processing time will be separately announced by the Exchange.A Member intending to withdraw any marketable securities shall apply before 2:30 p.m. on each trading da | **Article 74** Any member that intends to withdraw its marketable securities early shall make up for any shortfall in its trading margin. Only then may the Member go through withdrawal procedures and recover the marketable securities.A Member intending to withdraw any marketable securities shall apply before 2:30 p.m. on each trading day. |
| **Article 759**  When using marketable securities as margin, Members shall pay custodian fees to the Exchange. Such fees shall be collected by the Exchange at a rate no higher than the prevailing loan rate published by the People’s Bank of China. The base amount and fee standards shall be as determined, adjusted, and announced by the Exchange. Custodian fees shall be paid monthly.Fees charged by the depository of collateralized marketable securities shall abide by the applicable rules of the depository. | **Article 75** When using marketable securities as margin, Members shall pay custodian fees to the Exchange. Such fees shall be collected by the Exchange at a rate no higher than the prevailing loan rate published by the People’s Bank of China. The base amount and fee standards shall be as determined, adjusted, and announced by the Exchange. Custodian fees shall be paid monthly. |

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| **Article 7680** The Exchange has shall have the right to cash, directly or indirectly after taking delivery, dispose of a Member’s collateralized marketable securities posted as margin if such Member fails to meet or cannot fully meet its trading margin obligations; the proceeds shall be first used to cover any shortfall in the Member’s trading margin and any debt in connection with its trading activities. Any loss or costs arising therefrom shall be borne by the Member. | **Article 76** The Exchange shall have the right to cash, directly or indirectly after taking delivery, a Member’s marketable securities posted as margin if such Member fails to meet or cannot fully meet its trading margin obligations; the proceeds shall be first used to cover any shortfall in the Member’s trading margin and any debt in connection with its trading activities. Any loss arising therefrom shall be borne by the Member. |

Note :The relevant statements in the attachment to the *Clearing Rules of the Shanghai Futures Exchange* shall be adjusted accordingly.

Changes to the*Standard Warrant Rules of the Shanghai Futures Exchange*

Note: Those with double strikethrough are deleted.

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| **Draft Amendment** |  **Current Version** |
| **CHAPTER 7 STANDARD WARRANTS AS MARGIN COLLATERALS** | **CHAPTER 7 STANDARD WARRANTS AS MARGIN COLLATERALS** |
| **Article 28** The following are the procedures for a Client to post standard warrants at the Exchange as collaterals (i.e., to be used as margin):(i) Authorization by the Client. The Client shall authorize its carrying Member to take the designated standard warrants as the Member’s margin collaterals.(ii) Depositing of standard warrants by the Member. The Member selects the standard warrants as authorized by the Client and submits them to the Exchange. At submission, the Member shall indicate whether these standard warrants are posted as margin or only as the trading margin for the open positions in a particular delivery month futures contract with the same quantity.(iii) Review by the Exchange. The standard warrants may be used as margin only after being reviewed and approved by the Exchange. | **Article 28** The following are the procedures for a Client to post standard warrants at the Exchange as collaterals (i.e., to be used as margin):(i) Authorization by the Client. The Client shall authorize its carrying Member to take the designated standard warrants as the Member’s margin collaterals.(ii) Depositing of standard warrants by the Member. The Member selects the standard warrants as authorized by the Client and submits them to the Exchange. At submission, the Member shall indicate whether these standard warrants are posted as margin or only as the trading margin for the open positions in a particular delivery month futures contract with the same quantity.(iii) Review by the Exchange. The standard warrants may be used as margin only after being reviewed and approved by the Exchange. |
| **Article 29** The following are the procedures for a Client to withdraw standard warrants used as margin: (i) Application by the Client.(ii) Submission by the Member. Upon receiving the Client’s application, the Member shall timely submit the application to the Exchange.(iii) Review by the Exchange. After approving the application, the Exchange will return the standard warrants to the Member.(iv) Release of standard warrants by the Member. The Member shall timely release the standard warrant to the Client; otherwise, it shall report the reasons to the Exchange. | **Article 29** The following are the procedures for a Client to withdraw standard warrants used as margin: (i) Application by the Client.(ii) Submission by the Member. Upon receiving the Client’s application, the Member shall timely submit the application to the Exchange.(iii) Review by the Exchange. After approving the application, the Exchange will return the standard warrants to the Member.(iv) Release of standard warrants by the Member. The Member shall timely release the standard warrant to the Client; otherwise, it shall report the reasons to the Exchange. |
| **Article 30** Where a Client authorizes its carrying Member to use its standard warrants as collaterals to meet the Member’s margin requirements, the Member may, after meeting such requirements, apply to the Exchange for withdrawing the standard warrants. If a dispute arises between the Member and the Client over any standard warrants already withdrawn, the Exchange may transfer such standard warrants to the standard warrant account provided in any legally binding agreement between the Member and the Client, or handle the matter otherwise in accordance with any effective legal documents. | **Article 30** Where a Client authorizes its carrying Member to use its standard warrants as collaterals to meet the Member’s margin requirements, the Member may, after meeting such requirements, apply to the Exchange for withdrawing the standard warrants. If a dispute arises between the Member and the Client over any standard warrants already withdrawn, the Exchange may transfer such standard warrants to the standard warrant account provided in any legally binding agreement between the Member and the Client, or handle the matter otherwise in accordance with any effective legal documents. |