**Appendix 2**

*The rules of the Shanghai Futures Exchange are made in Chinese. The English version of such rules is for reference only and shall have no legal effect.*

**Market-Making Management Rules of Shanghai Futures Exchange**

**(Revised)**

Table of Contents

[Chapter 1 General Provisions - 2 -](#_Toc47598194)

[Chapter 2 Qualifications - 2 -](#_Toc47598195)

[Chapter 3 Market-Making - 5 -](#_Toc47598196)

[Chapter 4 Rights and Obligations - 6 -](#_Toc47598197)

[Chapter 5 Supervision - 7 -](#_Toc47598198)

[Chapter 6 Miscellaneous - 8 -](#_Toc47598199)

**Chapter 1 General Provisions**

 **Article 1** These Rules are formulated in accordance with General Exchange Rules of the Shanghai Futures Exchange so as to standardize the market-making business in Shanghai Futures Exchange (hereinafter referred to as "the Exchange"), promote the liquidity of futures trading and facilitate the futures market to perform its functions.

 **Article 2** Market Makers refer to the legal persons or other non-incorporated organizations approved by the Exchange to provide two-sided quotes on futures or options contracts of designated products and other services.

 **Article 3** These Rules shall apply to the market-making business and the relevant activities in the Exchange, and shall be binding on the Exchange, Market Makers and Members.

**Chapter 2 Qualifications**

 **Article 4** The Exchange may introduce Market Makers for designated products, and shall disclose them to the market.

**Article 5** The Exchange may regulate the Market Makers through hierarchical management, and may adjust the number and structure of the Market Makers based on market conditions.

 **Article 6** The Exchange shall manage the market-making qualification by products. An applicant for the Market Maker shall meet the following requirements:

 (1) Having net asset of no less than RMB 50 million;

 (2) Having specialized agencies and personnel responsible for the market-making business, and market-making personnel familiar with the relevant laws and regulations as well as the Exchange’s business rules;

 (3) Having a sound plan for the market-making business, an internal control system and a risk management system;

 (4) Having no record of severe violation of laws and regulations in the past three years;

 (5) Having a stable and reliable technology system for the market-making business;

 (6) Having the experience recognized by the Exchange in trading, market-making or simulated market-making;

 (7) Other requirements prescribed by the Exchange.

 **Article 7** An applicant as a Market Maker shall submit the following written materials to the Exchange:

 (1) An *Application Form of Market-making Qualification* with its official seal signed by its legal representative;

 (2) A copy of its Business License with its official seal;

 (3) Latest audited financial statement, or a copy of such statement with the official seal of the accounting firm;

 (4) Post setting and job responsibility of the market-making department, the name list and resumes of the person-in-charge and other personnel for the market-making business;

 (5) Implementation plan for the market-making business, internal control system and risk management system;

 (6) Letter of Commitment on no severe violation of laws and regulations in the past three years;

 (7) Statement on its technology system for the market-making business;

 (8) Statement on its trading, market-making or simulated market-making;

 (9) Other materials required by the Exchange.

 **Article 8** The applicant shall enter into a *Market Maker Agreement* (hereinafter referred to as “the Agreement”) with the Exchange within ten trading days of receiving the Exchange’s written approval. Thereafter, the applicant will be formally granted as the Market Maker in the corresponding products.

 **Article 9** The Exchange may revoke a Market Maker’s qualification for a product if the Market Maker:

 (1) fails to perform its quoting obligations as agreed;

 (2) no longer satisfies the requirements for a Market Maker prescribed in Article 6 of these Rules; or

 (3) is involved in any other circumstances prescribed by the Exchange or provided in the Agreement.

 **Article 10** The Exchange may revoke a Market Maker’s qualification for all products if the Market Maker:

 (1) commits any severe violation of laws and regulations;

 (2) is banned from the securities or futures market by China Securities Regulatory Commission or other competent authorities;

 (3) is being subject to legitimate acquisition, merger, registration cancellation, dissolution or declared bankrupt;

 (4) provides any fake material to the Exchange; or

 (5) is involved in any other circumstances prescribed by the Exchange or provided in the Agreement.

 **Article 11** A Market Maker who intends to waive its Market Maker status shall apply to the Exchange one month in advance.

 **Article 12** If a Market Maker’s status is waived or revoked, all related agreements it has entered into with the Exchange shall automatically terminate on the day the Exchange notifies it of the termination of its qualifications.

**Chapter 3 Market-Making**

 **Article 13** Each Market Maker, other than a non-futures firm member, shall engage in market making using the dedicated market making trading code.

 Any Market Maker who intends to change its market making trading code shall submit an application to the Exchange in advance.

 **Article 14** A Market Maker, who has changed its market making trading code or has lost its qualification in a listed product, shall not open new positions, or open new positions in such listed product, and shall timely close out all existing positions under the original market making trading code.

 The original code shall be timely canceled if there is no other market making product linked to such code following the close-out of the foregoing existing positions.

 **Article 15** A Market Maker provides the following two types of two-sided quotes:

 (1) Continuous quotes, referring to the continuous two-sided quotes spontaneously provided throughout the trading hours by the Market Maker in accordance with the Agreement.

 (2) Response quotes, referring to the two-sided quotes provided throughout trading hours in accordance with the Agreement by the market marker in response to a quote request on a particular contract.

 **Article 16** Each quote from Market Maker shall specify the contract code, bid price, ask price, and quantity for both sides.

 **Article 17** Two-sided quotes from Market Makers shall be submitted as price limit orders.

 **Article 18** A Market Maker may apply for a position quota beyond the position limit for performing its market making obligations.

**Chapter 4 Rights and Obligations**

 **Article 19** Subject to the provisions of the Agreement and the performance of market-making business, a Market Maker is entitled to such rights as a reduction on transaction fees.

 **Article 20** Each Market Maker shall perform its obligations under the Agreement.

 **Article 21** A futures Market Maker is released from its quoting obligation if:

 (1) the contract to be quoted on is in a Limit-Locked market; or

 (2) the market is under any other circumstance so recognized by the Exchange.

 The Market Maker shall resume its market making obligations once the circumstances specified in the foregoing paragraphs are dispelled.

 **Article 22** An options Market Maker is released from its quoting obligation if, with respect to an options contract:

 (1) the underlying futures contract is in a Limit-Locked market, in which case the Market Maker may cease providing quotes on all corresponding-month options contracts on the current day;

 (2) the options contract is in a limit-locked market, in which case the Market Maker may cease providing quotes on said options contract on the current day;

 (3) the options contract is priced below the level agreed upon in the Agreement, in which case the Market Maker may cease providing quotes on said options contract; or

 (4) the market is under any other circumstance so recognized by the Exchange.

 The Market Maker shall resume the performance of market making obligations once the circumstances specified in the foregoing paragraphs are dispelled.

 **Article 23** A Market Maker will not enjoy relevant rights until it has performed the obligations under the Agreement within the prescribed period.

**Chapter 5 Supervision**

 **Article 24** The Exchange shall supervise Market Makers through self-regulatory measures in accordance with these Rules and relevant business rules of the Exchange. Market Makers and Futures Firm Members shall cooperate with such rules.

 **Article 25** A Market Maker shall provide appropriate quotes for the market conditions.

 **Article 26** Trading behaviors such as frequent order cancellation caused by market-making business will not be deemed as abnormal trading behavior.

 A Market Maker shall not abuse the Market Maker qualifications to engage in insider trading, market manipulation, fraud, or other illegal or rule-violation activities, or to seek illegitimate gains.

 **Article 27** A Market Maker shall establish a sound IT management system and emergency response mechanism; timely update the Exchange on the changes to its electronic market making system including development, testing, connection, and upgrade; and participate in relevant system tests and emergency drills as required by the Exchange.

 **Article 28** The Exchange may evaluate and rank Market Makers based on their performance and disclose the results.

 **Article 29** Any change to the controlling shareholder (or any partner), business premise, or legal representative of a Market Maker, or any change to the person-in-charge of its market making business or to his contact information, or any material change to its financial position or technical system, shall be reported by the Market Maker to the Exchange in writing within three trading days of the change.

 **Article 30** Each Market Maker shall submit report on its market making business as required by the Exchange and properly retain relevant trading and risk control records for future examination.

 **Article 31** The Exchange may supervise and inspect Market Makers with respect to their risk management activities, trading activities, system operations, business operations, and credit standing. Market Makers shall offer assistance and cooperation in such activities.

**Chapter 6 Miscellaneous**

 **Article 32** Any violation of these Rules shall be subject to the Exchange in accordance with the *Enforcement Rules of the Shanghai Futures Exchange*.

 **Article 33** The Exchange reserves the right to interpret these Rules.

 **Article 34** These Rules shall be effective as of October 23, 2020.