**Appendix 1**

**Explanation of Revisions to the *Clearing Rules of the Shanghai International Energy Exchange* and Related Rules**

Government bonds are high-quality collaterals given their stable value and strong liquidity. Accepting government bonds as margin will expand the coverage of collateralizable securities, lower the trading cost of investors, and increase the utilization of funds, thus improving market operation. To roll out this new business, the Shanghai International Energy Exchange (the “Exchange”) proposes to revise the *Clearing Rules of the Shanghai International Energy Exchange* (“*Clearing Rules*”) and *Delivery Rules of the Shanghai International Energy Exchange* (“*Delivery Rules*”). Major revisions are explained as below:

1. Major revisions to the *Clearing Rules*

First, in Article 73 of the *Clearing Rules*, the Exchange has added the “book-entry government bonds issued by the Ministry of Finance of the People’s Republic of China in the Chinese Mainland” as another asset that can be used as margin, clarifying that government bonds are collateralizable.

Second, the Exchange has clarified that a Client, Overseas Intermediary, or OSP will be deemed to have consented to its carrying FF Member’s submission of its assets as margin, by adding a paragraph that reads “A Client, an Overseas Intermediary, or an OSP that uses any asset as margin shall be deemed to have allowed its carrying FF Member to submit the assets to the Exchange as margin.”

Third, the Exchange has added an authorization paragraph, which prescribes that “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.”

Fourth, the Exchange has required that the government bonds to be used as margin each time shall have a total face value of at least RMB one million yuan, which is set to ensure that relevant entities have proper economic strength and risk control capacity and the collateral business can be conducted efficiently.

Fifth, the Exchange has specified the benchmark price of collateralized treasury bonds: “For treasury bonds used as margin, the benchmark price shall be the lowest of the valuations provided by the custodian. 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.”

Sixth, the Exchange has further detailed and revised the procedures for posting securities as margin, the attribution of interest paid on government bonds used as margin, and the period during which securities may be collateralized, among others.

2. Major revisions to the *Delivery Rules*

The Exchange has deleted relevant provisions on using standard warrants as margin in the *Delivery Rules*, since the revised *Clearing Rules* has included provisions on the collateralization of securities.