**Appendix 3**

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

**Designated Depository Banks Management Rules of the Shanghai International Energy Exchange**

**(For Public Consultation)**

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**Chapter 1 General Provisions**

**Article 1** These Rules are formulated in order to regulate the futures margin depository business of the Shanghai International Energy Exchange (hereinafter referred to as “the Exchange”) and ensure the safekeeping of futures margin and the smooth operation of futures trading, pursuant to relevant laws and regulations, relevant provisions of regulatory authorities and the General Exchange Rules of the Shanghai International Energy Exchange.

**Article 2** The Exchange shall, in accordance with the principle of prudence, designate banks which engage in futures margin depository business (hereinafter referred to as “the Designated Depository Banks”) and shall, pursuant to these Rules, effectively supervise Designated Depository Banks and require them to conduct the futures margin depository business in accordance with applicable laws and regulations.

**Article 3** While engaging in futures margin depository business, Designated Depository Banks shall comply with laws, regulations, ministerial rules, and business rules of the Exchange, and accept the supervision of the Exchange.

**Chapter 2 Application**

**Article 4** The futures margin depository business with the Exchange is classified into margin depository business for domestic Clients and margin depository business for overseas Clients.

Margin depository business for domestic Clients refers to the margin depository business related to Members and their domestic Clients, while margin depository business for overseas Clients refers to the margin depository business related to Overseas Special Participants (hereinafter referred to as “OSPs”), Overseas Intermediaries and overseas Clients.

A Qualified Foreign Institutional Investor (QFII) or RMB Qualified Foreign Institutional Investor (RQFII) custodian bank which applies to conduct futures margin depository business for the QFII or RQFII it provides custodian for shall meet items 2 to 10 of Article 5.

**Article 5** A banking financial institution which applies to conduct futures margin depository business shall meet the following criteria:

1. being a nationwide banking financial institution with legal person status that is incorporated in the Chinese Mainland;

2. satisfying the requirements of capital adequacy ratio, liquidity, asset-liability ratio, etc. prescribed by the banking regulatory authorities of the People’s Republic of China (hereinafter referred to as “the PRC”) on banking financial institutions;

3. having sound corporate governance structure, risk management rules and internal control system;

4. having a dedicated institution or department for the futures margin depository business;

5. having a robust futures margin management system, internal management rules and operating procedures related to the clearing and settlement of futures funds, and business contingency plans for abnormal circumstances such as technical failure and communication system breakdown;

6. having necessary facilities and technical competences to conduct futures margin depository business and to support the monitoring of the safekeeping of futures margin, a nationwide fund transfer system that has operated stably and efficiently for the last three (3) years, a nationwide real-time internal fund transfer system, and a sound nationwide centralized bank-futures fund transfer system;

7. having an outlet (such an outlet is hereinafter referred to as a “Designated Branch”) located within a designated distance to the venue prescribed by the Exchange to conduct futures margin depository business and futures funds settlement related business. No less than three (3) personnel at the Designated Branch and all the personnel at the dedicated futures settlement counter shall have passed the futures qualification exams of the PRC. In addition, the management of such Designated Branch shall have no less than five (5) years of work experience in banking financial institutions;

8. having no record of severe violation of laws and regulations, and no severe accident or severe administrative sanction imposed by any regulatory authority during the last three (3) years;

9. having neither pending litigation nor outstanding debts that may cast material impact on its credit; and

10. any other criteria prescribed by the Exchange.

**Article 6** A Designated Depository Bank which applies for margin depository business for domestic Clients shall satisfy the requirements prescribed in Article 5 of these Rules and meet the following criteria:

1. having a registered capital of no less than RMB ten billion (￥10,000,000,000), and having been profitable consecutively for the last three (3) financial years;

2. having total assets of no less than RMB one thousand and five hundred billion (￥1,500,000,000,000) and net assets of no less than RMB one hundred billion (￥100,000,000,000); and

3. having no less than six hundred (600) outlets in the Chinese Mainland.

**Article 7** A Designated Depository Bank which applies for margin depository business for overseas Clients shall satisfy the requirements prescribed in Article 5 of these Rules and meet the following criteria:

1. having a registered capital of no less than RMB five billion (￥5,000,000,000) and having been profitable consecutively for the last three (3) financial years;

2. having total assets of no less than RMB one thousand and five hundred billion (￥1,500,000,000,000) and net assets of no less than RMB 100 billion (￥100,000,000,000); or having total assets of no less than RMB thirty billion (￥30,000,000,000) and net assets of no less than RMB five billion (￥5,000,000,000), with its holding company having total assets of no less than RMB one thousand and five hundred billion (￥1,500,000,000,000) or its equivalent in foreign currency and net assets of no less than RMB one hundred billion (￥100,000,000,000) or its equivalent in foreign currency; and

3. being a direct clearing member of relevant High Value Payment Systems (HVPS) or having correspondent banking relationship with direct clearing members of HVPS, to ensure efficient real-time fund transfer. In addition, the Designated Depository Bank or its holding company shall have branches that are established in more than three (3) global or regional financial centers and are capable of conducting futures margin depository business and fund settlement-related business.

**Article 8** A banking financial institution which applies for a Designated Depository Bank to conduct related business shall submit the following materials for preliminary review:

1. the Designated Depository Bank application form (Please refer to the official website of the Exchange for the template), an application letter, a feasibility report and a business plan;

2. a description of outlets, the Designated Branch(es) and the facilities required to conduct the futures margin depository business;

3. the futures margin depository management rules, internal management rules, as well as relevant contingency plans;

4. a description of the roles and responsibilities of the futures margin depository business department, name lists and resumes of the department head and business staff respectively;

5. a written commitment to comply with relevant provisions on monitoring the safekeeping of futures margin;

6. the latest corporate annual report disclosed as required by the State Administration for Industry and Commerce;

7. the financial license and the business license of the applicant, and the business license(s) of its Designated Branch(es);

8. certification materials of passing the futures qualification exams of the PRC by staff of the Designated Branch(es);

9. audit reports and internal control evaluation reports of the last three (3) years;

10. the power of attorney by the legal representative (Please refer to the official website of the Exchange for the template) and identification documents of the staff in charge of the application; and

11. other documents prescribed by the Exchange.

**Article 9** The Exchange shall complete the preliminary review of the application for Designated Depository Bank within twenty (20) trading days after receiving all required application materials.

**Article 10** An applicant that has passed the Exchange’s preliminary review shall, pursuant to the requirements of the Exchange and the China Futures Market Monitoring Center Co., Ltd (hereinafter referred to as “the CFMMC”), pass the tests or examinations of relevant business, technique, communications equipment, etc., and provide following materials to the Exchange:

1. written supporting documents issued by the CFMMC for passing the data reporting test with respect to the monitoring of safekeeping of futures margin;

2. the testing report of the bank-futures fund transfer system and the BECK system with futures market participants such as Members and OSPs involved; and

3. other documents required by the Exchange.

**Article 11** A Designated Depository Bank shall, within three (3) business days upon the grant of qualification by the Exchange, report to the competent banking regulatory authority.

**Article 12** A Designated Depository Bank shall, prior to conducting the futures margin depository business, enter into an agreement with the Exchange on the futures margin depository business (hereinafter referred to as the “business agreement”), specifying the rights and obligations of each party.

**Chapter 3 Rights and Obligations**

**Article 13** A Designated Depository Bank is entitled to the following rights:

1. opening a dedicated settlement account for the Exchange, dedicated margin accounts for Members, futures settlement accounts for OSPs, Overseas Intermediaries and Clients, and other settlement-related accounts;

2. accepting deposits from entities such as the Exchange, Members, OSPs, Overseas Intermediaries and Clients; and

3. obtaining information on the credit of entities such as Members, OSPs, Overseas Intermediaries and Clients, etc. at the Exchange.

**Article 14** A Designated Depository Bank shall provide safe, accurate and timely futures margin depository services and shall perform the following obligations:

1. transferring fund for the Exchange or Members in priority based on bills or data provided by the Exchange, and timely providing feedbacks to the Exchange of the transfer results and related account changes;

2. timely completing foreign exchange conversions related to the futures trading in accordance with relevant provisions;

3. accepting the supervision of the Exchange on its futures margin depository business;

4. keeping confidential the commercial secrets of the Exchange, Members, OSPs, Overseas Intermediaries and Clients; and

5. assisting the Exchange to mitigate risks in the event of significant risks.

**Article 15** A Designated Depository Bank shall establish branch(es) or sub-branch(es) in the region(s) where futures margin depository business is conducted.

The Designated Depository Bank shall set up a dedicated futures settlement counter at the designated branch to provide exclusive services to the Exchange and Members.

**Article 16** A Designated Depository Bank shall adjust its business hours based on the adjustment of trading and clearing hours of the Exchange and the requirements of futures margin depository business.

**Article 17** A Designated Depository Bank shall open, change or close the dedicated fund accounts of Members based on the specific notice issued by the Exchange.

A Designated Depository Bank which engages in the margin depository business for overseas Clients shall, in accordance with the relevant regulations prescribed by the People's Bank of China (hereinafter referred to as the “PBOC”) and the State Administration of Foreign Exchange (hereinafter referred to as the “SAFE”), open bank accounts related to futures business for the Exchange, Members, OSPs, Overseas Intermediaries and overseas Clients.

**Article 18** 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 19** A Designated Depository Bank shall implement close-ended operation of the futures margin, and deposit and withdraw futures margin via electronic transfers in accordance with the relevant provisions on the safekeeping of futures margin.

A Designated Depository Bank shall conduct the foreign exchange conversion for the Exchange and its Members in accordance with the relevant regulations of the SAFE and requirements of the Exchange, and perform its reporting obligations in accordance with relevant provisions.

**Article 20** A Designated Depository Bank shall pay interests accrued from the funds in the dedicated settlement account to the Exchange at the interest rates negotiated with the Exchange.

**Article 21** A Designated Depository Bank shall, in strict compliance with the supervisory requirements of the Exchange, take effective measures to mitigate liquidity risks on funds, and shall not restrict any deposit or withdrawal request from any Member without a written consent by the Exchange.

 The Exchange has the right to initiate inter-bank transfers of margin deposits held with Designated Depository Banks at any time.

**Article 22** If there are fund settlement demands such as liquidity demand at the Exchange, upon the request by the Exchange, the Designated Depository Banks shall provide corresponding financial assistance to the Exchange for risk mitigation.

**Article 23** A Designated Depository Bank shall not assist Members in collateralizing margins, and shall not misappropriate Clients’ margins to repay the debts of Futures Firm Members (hereinafter referred to as “FF Members”), OSPs or the Exchange.

**Article 24** A Designated Depository Bank shall reject any request by any other entity or individual to freeze or deduct the funds deposited in the dedicated settlement account of the Exchange.

 If any other entity or individual intends to freeze the funds deposited in dedicated margin accounts of Members or take other actions that may affect the margin depository business, the Designated Depository Bank shall notify the Exchange in advance.

**Article 25** A Designated Depository Bank shall comply with all the business rules published by the Exchange with regards to the depository and settlement business of futures margins.

**Article 26** A Designated Depository Bank shall execute fund transfers in accordance with the Exchange’s instructions in writing or in electronic form through the BECK system:

1. for fund transfers within the same bank, the Designated Depository Bank shall, upon receipt of the instructions, ensure real-time transfer of funds to the designated dedicated fund accounts of Members;

2. for inter-bank fund transfers, the Designated Depository Bank shall, upon receipt of the instructions, ensure that the funds are transferred in the most efficient way and are timely received by the receiving bank; and

3. the Designated Depository Bank may cooperate with other entities to improve the efficiency of fund transfer.

**Article 27** A Designated Depository Bank shall, in accordance with the following provisions, conduct reconciliation of the dedicated settlement account of the Exchange on a daily basis:

1. providing the Exchange with real-time feedbacks on the balances and movements of the dedicated settlement account in response to the inquiries of the Exchange;

2. conducting timely account reconciliation after the end of daily clearing according to the demands of the Exchange;

3. delivering to the Exchange transaction documents such as Clients’ debit/credit notes or breakdown of fund transfers of the day; and

4. providing the account statement of the dedicated settlement account as required by the Exchange.

**Article 28** A Designated Depository Bank shall, in accordance with relevant provisions on monitoring the safekeeping of futures margins, report to the CFMMC relevant information about all futures margin accounts held with the bank, including account balances and movements of the previous trading day, through the leased line within the prescribed time.

**Article 29** A Designated Depository Bank shall provide the Exchange with real-time feedbacks on the balances and movements of dedicated margin accounts of Members in respond to the inquiries of the Exchange.

**Article 30** Unless otherwise prescribed by the State laws and regulations, a Designated Depository Bank shall not, by any means, disclose to any third party any non-public information related to the futures margin depository business and the entities that participate in the futures trading activities.

**Article 31** A Designated Depository Bank shall ensure that its business staff are familiar with the Exchange’s rules, requirements and procedures of the futures margin depository and other settlement-related businesses, actively participate in the business trainings organized by the Exchange, and arrange internal trainings on a regular basis.

**Chapter 4 Technical Requirements**

**Article 32** The fund transfer system of each Designated Depository Bank shall conform to the Exchange’s technical specifications on relevant interfaces, and shall have passed the acceptance test of the Exchange.

**Article 33** The centralized nationwide bank-futures transfer system of each Designated Depository Bank shall be able to support multipoint access from the system of a Member to satisfy the needs of backup for disaster recovery and redundancy of such system.

**Article 34** A Designated Depository Bank shall apply to establish reliable redundant data links between the primary and backup data centers of its head office and those of the Exchange. The relevant network parameters shall be allocated by the Exchange.

**Article 35** A Designated Depository Bank shall incorporate its fund transfer system into the centralized operation and maintenance management of its technical systems, in order to perform real-time monitoring of the fund transfer systems, the data links and the hardware and software platforms.

**Article 36** If a Designated Depository Bank plans to conduct network maintenance or system upgrading that may affect the normal operation of the fund transfer system, it shall notify the Exchange five (5) business days in advance, and shall complete the system testing prior to such maintenance or upgrading.

**Article 37** A Designated Depository Bank shall actively cooperate with the Exchange and participate in the emergency drills and joint testing organized by the Exchange.

**Article 38** A Designated Depository Bank shall designate contact person(s) for technical emergencies on a 24/7 basis. Any change of such emergency contact(s) shall be timely reported to the Exchange.

**Chapter 5 Emergency Response**

**Article 39** A Designated Depository Bank shall develop a sound business contingency plan for network and information security incidents, specify the duties of personnel involved, and provide adequate measures to ensure fast response to and timely disposition of any emergencies.

**Article 40** A Designated Depository Bank shall give an immediate notice to the Exchange and take active remedial actions with regard to any operational error or malfunction of a technical system that could disrupt the futures funds settlement business.

**Article 41** A Designated Depository Bank shall immediately notify the Exchange of any malfunction of the fund transfer system detected, and actively cooperate with the Exchange in examining such system in order to pinpoint the root cause, remove the malfunction, and clarify the responsibilities. If necessary, the business contingency plan shall be activated immediately.

**Article 42** If the operation stability and security of the futures margin depository business are affected, a Designated Depository Bank shall promptly activate the business contingency plan to resume normal operation at the earliest possible time, and report details to the Exchange and the CFMMC.

**Chapter 6 Supervision**

**Article 43** A Designated Depository Bank shall notify the Exchange and the CFMMC in writing about any change in the futures margin depository business department, such as the position setting, the duties of each position, the head(s) of the department and the business contacts, within three (3) business days.

**Article 44** A Designated Depository Bank shall notify the Exchange and the CFMMC of any major business risk or loss that may impair its credit within three (3) business days from the day the risk or loss arises, and submit written reports on the analysis of the impact of such risk or loss on its futures margin depository business and the resolutions to address such risk or loss.

 A Designated Depository Bank shall timely notify the Exchange of any potential or foreseeable risks of the offshore financial market and capital market, and provide assistance in risk prevention and control.

**Article 45** If a Designated Depository Bank performs system upgrading or improvement or takes any other measure that may affect its futures margin depository business, it shall notify the Exchange, the CFMMC, related Members and OSPs five (5) business days in advance, properly disclose the information, complete system testing, and prepare a targeted contingency plan.

**Article 46** A Designated Depository Bank shall, within one (1) month after the end of each year, submit to the Exchange and the CFMMC an annual report on the operation of its futures margin depository business, services provided, technical support, risk management, operational errors and technical failures, its compliance with applicable laws, regulations, ministerial rules, and policies, etc.

**Article 47** The Exchange shall perform annual or ad hoc inspections on Designated Depository Banks, including the review of their qualifications and the performance of futures margin depository business. Such inspections include but are not limited to on-site inspection conducted by the Exchange and self-inspection by the Designated Depository Banks.

Designated Depository Banks shall cooperate on such inspections.

**Article 48** The Exchange shall conduct a comprehensive annual assessment on each Designated Depository Bank with respect to the timeliness, accuracy, safety and liquidity control of its futures margin depository business activities, as well as the operation and maintenance of its system, service quality, business operation, risk control, satisfaction survey, etc.

Based on the results of the annual assessment, the Exchange will make overall plans and arrangements for the futures margin deposit business and cooperation projects with Designated Depository Banks.

**Chapter 7 Violations and Sanctions**

**Article 49** If any of the following circumstances occurs to a Designated Depository Bank, the Designated Depository Bank shall be required to make rectifications, and shall, depending on the severity of the violation, be subject to warnings, reprimand, suspension of its depository business with new Members or OSPs, etc.:

 1. failing to perform its obligations specified in these Rules and the business agreement entered into with the Exchange, or violating other business rules of the Exchange;

 2. failing to take effective measures against an incident which affects or may affect its futures margin depository business, thereby jeopardizing the sound operation of the futures market and damaging the legitimate rights and interests of the Exchange and its Members, OSPs, Overseas Intermediaries and Clients;

 3. unjustifiably restricting the deposit or withdrawal of funds requested by any Member without the written consent of the Exchange;

 4. failing to notify the Exchange immediately or take effective measures timely in the case of any operational error or malfunction of technical systems which may affect its futures margin depository business;

 5. failing to cooperate with the Exchange on the annual or ad hoc inspections, or failing to submit the required annual report of its futures margin depository business or any other materials required by the Exchange;

 6. failing to comply with CFMMC’s requirements to report its futures margin depository business;

 7. failing to meet the requirements of banking regulatory authorities on indicators such as capital adequacy ratio, liquidity and asset-liability ratio;

 8. being adversely affected by poor service quality or unstable bank-futures fund transfer system; or

 9. other circumstances prescribed by the Exchange.

 **Article 50** All the futures margin depository businesses of a Designated Depository Bank shall be suspended if any of the following circumstances occurs:

 1. funds in the dedicated settlement account of the Exchange are frozen or deducted as a result of the failure of the Designated Depository Bank to take effective measures;

 2. the Designated Depository Bank assists a Member in collateralizing margins;

 3. the Designated Depository Bank has incurred losses in the recent financial year; or

 4. other circumstances recognized by the Exchange.

 **Article 51** The Exchange may allow a Designated Depository Bank, of which the futures margin depository business has been suspended, to resume its depository business if the Exchange determines that the Designated Depository Bank has restored the required capabilities to conduct futures margin depository business after rectifications.

 **Article 52** The Exchange may approve the Designated Depository Bank’s application to terminate its qualification as a Designated Depository Bank.

 **Article 53** The qualification of a Designated Depository Bank may be revoked by the Exchange if any of the following circumstances occurs:

 1. the Designated Depository Bank has provided fraudulent materials or information to the Exchange;

 2. the Designated Depository Bank has misappropriated margin funds;

 3. the Designated Depository Bank fails to pass the annual inspection of the recent year and still fails to meet the requirements after the specified period for rectification;

 4. the Designated Depository Bank has incurred losses consecutively for the last three (3) financial years, or no longer meets the qualification requirements to be a Designated Depository Bank;

 5. the business license of the Designated Depository Bank is legally revoked, or the Designated Depository Bank is dissolved or has declared bankruptcy;

 6. the Designated Depository Bank has lost its legal person status as a result of merger or acquisition;

 7. the Exchange believes that the Designated Depository Bank is exposed to severe potential risks; or

 8. other circumstances prescribed the Exchange.

 **Article 54** When the Exchange approves the termination of or determines to revoke the qualification of a Designated Depository Bank, the Exchange shall notify the Designated Depository Bank ten (10) trading days in advance, report such termination or revocation to the China Securities Regulatory Commission, and make an announcement on the official website of the Exchange in accordance with relevant provisions.

 The termination or revocation of the qualification of a Designated Depository Bank shall not affect any other existing legal relationship between the bank and the Exchange. The Exchange may terminate related business relationships with such Designated Depository Bank pursuant to applicable laws and regulations.

**Article 55** Any Designated Depository Bank that is disqualified by the Exchange shall not re-apply for the qualification within three (3) years from the date of such disqualification.

**Chapter 8 Miscellaneous**

**Article 56** The Exchange reserves the right to interpret these Rules.

**Article 57** These Rules shall be effective as of MM DD, YYYY.