

## **RISK MANAGEMENT RULES**

### **(AMENDMENT)**

#### **Chapter 1 GENERAL PROVISIONS**

Article 1 These Risk Management Rules are made, in accordance with the General Exchange Rules of the Shanghai Futures Exchange, to apply risk management to futures markets, safeguard the legitimate interests of the futures market participant and guarantee the futures trading activities on or through the Shanghai Futures Exchange, or the Exchange.

Article 2 The Exchange applies the risk management regimes including the Margin Requirement, the Price Limit, the Speculative Position Limit, the Large Trader Reporting, the Forced Position Liquidation and the Risk Warning.

Article 3 These Risk Management Rules are binding on the Exchange, its members and their customers.

#### **Chapter 2 THE MARGIN REQUIREMENT**

Article 4 The Exchange applies a minimum trade margin rate based on a contract's notional value. The minimum trade margin rates of futures are shown as follows:

● Gold futures	4%
● Silver futures	4%
● Bitumen futures	4%
● Hot-rolled coil futures	4%
● Copper cathode, or copper, futures	5%
● Aluminum futures	5%
● Zinc futures	5%
● Lead futures	5%
● Nickel futures	5%
● Tin futures	5%
● Steel rebar futures	5%
● Natural rubber futures	5%

- Wire rod futures 7%
- Fuel oil futures 8%

When the following events or conditions occur in the process of trading in a futures contract, the Exchange may, in its sole discretion, adjust the trade margin for a contract:

- i) open interest reaches a fixed level;
- ii) the delivery period approaches;
- iii) the price variation of a contract amounts to a certain rate after a consecutive number of trading days;
- iv) the same direction limit-locked market remains for a consecutive number of trading days;
- v) a long public holiday is approaching;
- vi) the Exchange, in its discretion, decides that the risk of the market is increasing; and
- (vii) other events or conditions the Exchange deems necessary to adjust the trade margin for a contract.

The Exchange shall issue a public announcement and report to the China Securities Regulatory Commission, or the CSRC, before adjusting the trade margin for a futures contract.

Article 5 The Exchange applies different rates of trade margin for a futures contract based on its amount of open interest and the different period of trading from its listing to its last trading day, as provided in the following details, except otherwise specified in this Article 5:

Trade margin for the hot-rolled coil futures contract is not based on its amount of open interest.

- i) The Exchange shall set rates of the trade margin based on a contract's amount of open interest, as demonstrated in the following tables:

Table 1. Trade margin for the copper futures contract based on the amount of open interest

As of the first trading day of the third month prior to the delivery month, when the open interest amounts to	Trade margin based on the notional value of the contract as of that date:
$X \leq 240,000$	5%
$240,000 < X \leq 280,000$	6.5%
$280,000 < X \leq 320,000$	8%
$X > 320,000$	10%

Note : the open interest (in lots) is denoted as "X" and that X refers to the

gross open interest in lots of all the longs and shorts of a futures contract

Table 2. Trade margin for the aluminum futures contract based on the amount of open interest

As of the first trading day of the third month prior to the delivery month, when the open interest amounts to	Trade margin based on the notional value of the contract as of that date:
$X \leq 240,000$	5%
$240,000 < X \leq 280,000$	6.5%
$280,000 < X \leq 320,000$	8%
$X > 320,000$	10%

Note :the open interest (in lots) is denoted as "X" and that X refers to the gross open interest in lots of all the longs and shorts of a futures contract

Table 3. Trade margin for the zinc futures contract based on the amount of open interest

As of the first trading day of the third month prior to the delivery month, when the open interest amounts to	Trade margin based on the notional value of the contract as of that date:
$X \leq 240,000$	5%
$240,000 < X \leq 280,000$	6.5%
$280,000 < X \leq 320,000$	8%
$X > 320,000$	10%

Note :the open interest (in lots) is denoted as "X" and that X refers to the gross open interest in lots of all the longs and shorts of a futures contract

Table 4. Trade margin for the lead futures contract based on the amount of open interest

As of the first trading day of the third month prior to the delivery month, when the open interest amounts to	Trade margin based on the notional value of the contract as of that date:
$X \leq 200,000$	5%
$200,000 < X \leq 300,000$	10%
$X > 300,000$	12%

Note :the open interest (in lots) is denoted as "X" and that X refers to the gross open interest in lots of all the longs and shorts of a futures contract

Table 5. Trade margin for the nickel contract based on the amount of open interest

As of the first trading day of the	Trade margin based on the
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third month prior to the delivery month, when the open interest amounts to	notional value of the contract as of that date:
$X \leq 240,000$	5%
$240,000 < X \leq 360,000$	8%
$X > 360,000$	10%

Note: the open interest (in lots) is denoted as "X" and that X refers to the gross open interest in lots of all the longs and shorts of a futures contract.

Table 6. Trade margin for the tin contract based on the amount of open interest

As of the first trading day of the third month prior to the delivery month, when the open interest amounts to	Trade margin based on the notional value of the contract as of that date:
$X \leq 60,000$	5%
$60,000 < X \leq 90,000$	8%
$X > 90,000$	10%

Note: the open interest (in lots) is denoted as "X" and that X refers to the gross open interest in lots of all the longs and shorts of a futures contract.

Table 7. Trade margin for the steel rebar contract based on the amount of open interest

As of the first trading day of the third month prior to the delivery month, when the open interest amounts to	Trade margin based on the notional value of the contract as of that date:
$X \leq 1,200,000$	5%
$1,200,000 < X \leq 1,350,000$	7%
$1,350,000 < X \leq 1,500,000$	9%
$X > 1,500,000$	11%

Note : the open interest (in lots) is denoted as "X" and that X refers to the gross open interest in lots of all the longs and shorts of a futures contract

Table 8. Trade margin for the wire rod futures contract based on the amount of open interest

As of the first trading day of the third month prior to the delivery month, when the open interest amounts to	Trade margin based on the notional value of the contract as of that date:
$X \leq 450,000$	7%

450,000<X≤600,000	8%
600,000<X≤750,000	10%
X>750,000	12%

Note :the open interest (in lots) is denoted as "X" and that X refers to the gross open interest in lots of all the longs and shorts of a futures contract

Table 9.Trade margin for the gold futures contract based on the amount of open interest

As of the first trading day of the third month prior to the delivery month, when the open interest amounts to	Trade margin based on the notional value of the contract as of that date:
X≤16,000	4%
16,000<X≤20,000	6%
20,000<X≤24,000	8%
X>24,000	10%

Note :the open interest (in lots) is denoted as "X" and that X refers to the gross open interest in lots of all the longs and shorts of a futures contract

Table 10.Trade margin for the silver futures contract based on the amount of open interest

As of the first trading day of the third month prior to the delivery month, when the open interest amounts to	Trade margin based on the notional value of the contract as of that date:
X≤300,000	4%
300,000<X≤600,000	7%
X>600,000	10%

Note :the open interest (in lots) is denoted as "X" and that X refers to the gross open interest in lots of all the longs and shorts of a futures contract

Table 11.Trade margin for the natural rubber futures contract based on the amount of open interest

As of the first trading day of the listing, when the open interest amounts to	Trade margin based on the notional value of the contract as of that date:
X≤80,000	5%
80,000<X≤120,000	8%
120,000<X≤160,000	10%
X>160,000	12%

Note :the open interest (in lots) is denoted as "X" and that X refers to the gross open interest in lots of all the longs and shorts of a futures contract

Table 12. Trade margin for the fuel oil futures contract based on the amount of open interest

As of the first trading day of the listing, when the open interest amounts to	Trade margin based on the notional value of the contract as of that date:
$X \leq 100,000$	8%
$100,000 < X \leq 150,000$	10%
$150,000 < X \leq 200,000$	12%
$X > 200,000$	15%

Note : the open interest (in lots) is denoted as "X" and that X refers to the gross open interest in lots of all the longs and shorts of a futures contract

Table 13. Trade margin for the bitumen futures contract based on the amount of open interest

As of the first trading day of the listing, when the open interest amounts to	Trade margin based on the notional value of the contract as of that date:
$X \leq 300,000$	4%
$300,000 < X \leq 500,000$	6%
$X > 500,000$	8%

In the process of trading in a futures contract, when its open interest reaches the levels as set forth in Tables 1-13, above, no adjustment is to be made to the trade margin. Nonetheless, at the time of daily clearing, when the futures contract's open interest reaches the levels as set forth in Tables 1-10, above, the Exchange will, accordingly, adjust and access the trade margin for all the long and short positions in that contract pursuant to the rate specified in Tables 1-10. If the holder of a long or short position becomes insufficient with his margins, he shall deposit funds to meet the margin requirements by the opening of the next trading day.

ii) The Exchange shall set the rates of the trade margin at the different period of trading from the listing to the last trading day near the delivery period of a futures contract, as demonstrated in the following tables:

Table 14. Trade margin for the copper futures contract at the different period of trading from its listing to its last trading day

Period of Trading	Trade margin based on the notional value of the contract as of that date:
As of listing	5%

As of the first trading day of the first month prior to the delivery month	10%
As of the first trading day of the delivery month	15%
As of the second trading day prior to the last trading day	20%

Table 15. Trade margin for the aluminum futures contract at the different period of trading from its listing to its last trading day

Period of Trading	Trade margin based on the notional value of the contract as of that date:
As of listing	5%
As of the first trading day of the first month prior to the delivery month	10%
As of the first trading day of the delivery month	15%
As of the second trading day prior to the last trading day	20%

Table 16. Trade margin for the zinc futures contract at the different period of trading from its listing to its last trading day

Period of Trading	Trade margin based on the notional value of the contract as of that date:
As of listing	5%
As of the first trading day of the first month prior to the delivery month	10%
As of the first trading day of the delivery month	15%
As of the second trading day prior to the last trading day	20%

Table 17. Trade margin for the lead futures contract at the different period of trading from its listing to its last trading day

Period of Trading	Trade margin based on the notional value of the contract as of that date:
As of listing	5%
As of the first trading day of the	10%

first month prior to the delivery month	
As of the first trading day of the delivery month	15%
As of the second trading day prior to the last trading day	20%

Table 18. Trade margin for the nickel futures contract at the different periods of trading from its listing to its last trading day

Period of Trading	Trade margin based on the notional value of the contract as of that date:
As of listing	5%
As of the first trading day of the first month prior to the delivery month	10%
As of the first trading day of the delivery month	15%
As of the second trading day prior to the last trading day	20%

Table 19. Trade margin for the tin futures contract at the different periods of trading from its listing to its last trading day

Period of Trading	Trade margin based on the notional value of the contract as of that date:
As of listing	5%
As of the first trading day of the first month prior to the delivery month	10%
As of the first trading day of the delivery month	15%
As of the second trading day prior to the last trading day	20%

Table 20. Trade margin for the steel rebar futures contract at the different period of trading from its listing to its last trading day

Period of Trading	Trade margin based on the notional value of the contract as of that date:
As of listing	5%
As of the first trading day of the	10%



first month prior to the delivery month	
As of the first trading day of the delivery month	15%
As of the second trading day prior to the last trading day	20%

Table 21. Trade margin for the wire rod futures contract at the different period of trading from its listing to its last trading day

Period of Trading	Trade margin based on the notional value of the contract as of that date:
As of listing	7%
As of the first trading day of the first month prior to the delivery month	10%
As of the first trading day of the delivery month	15%
As of the second trading day prior to the last trading day	20%

Table 22. Trade margin for the hot-rolled coil futures contract at the different period of trading from its listing to its last trading day

Period of Trading	Trade margin based on the notional value of the contract as of that date:
As of listing	4%
As of the first trading day of the first month prior to the delivery month	10%
As of the first trading day of the delivery month	15%
As of the second trading day prior to the last trading day	20%

Table 23. Trade margin for the gold futures contract at the different period of trading from its listing to its last trading day

Period of Trading	Trade margin based on the notional value of the contract as of that date:
As of listing	4%
As of the first trading day of the	10%

first month prior to the delivery month	
As of the first trading day of the delivery month	15%
As of the second trading day prior to the last trading day	20%

Table 24. Trade margin for the silver futures contract at the different period of trading from its listing to its last trading day

Trading period	Trade margin based on the notional value of the contract as of that date:
As of listing	4%
As of the first trading day of the first month prior to the delivery month	10%
As of the first trading day of the delivery month	15%
As of the second trading day prior to the last trading day	20%

Table 25. Trade margin for the natural rubber futures contract at the different period of trading from its listing to its last trading day

Period of Trading	Trade margin based on the notional value of the contract as of that date:
As of listing	5%
As of the first trading day of the first month prior to the delivery month	10%
As of the first trading day of the delivery month	15%
As of the second trading day prior to the last trading day	20%

Table 26. Trade margin for the fuel oil futures contract at the different period of trading from its listing to its last trading day

Period of Trading	Trade margin based on the notional value of the contract as of that date:
As of listing	8%
As of the first trading day of the second month prior to the	10%

delivery month	
As of the first trading day of the first month prior to the delivery month	15%
As of the second trading day prior to the last trading day	20%

Table 27. Trade margin for the bitumen futures contract at the different period of trading from its listing to its last trading day

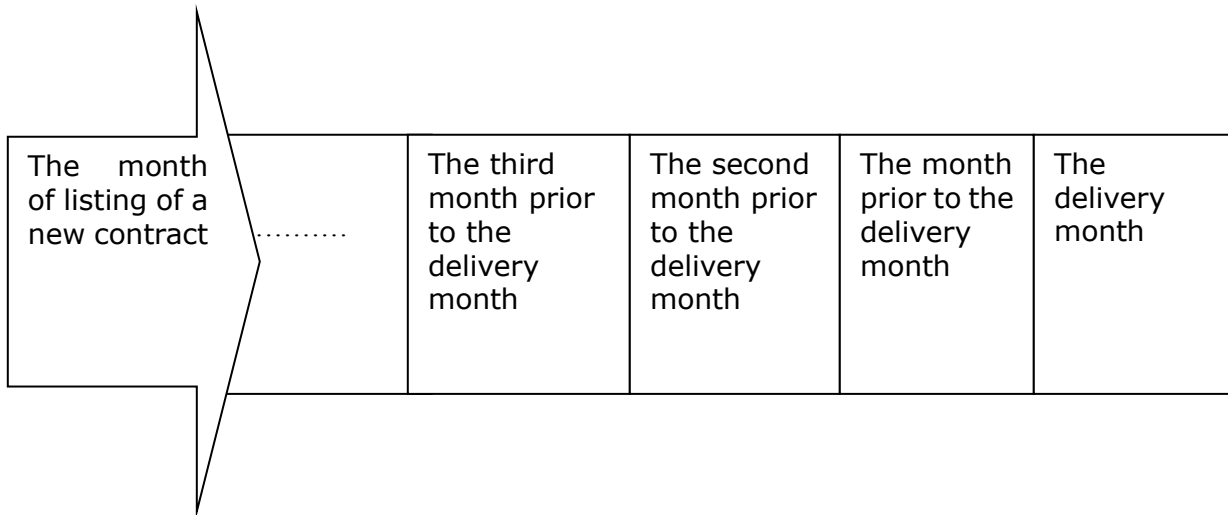
Period of Trading	Trade margin based on the notional value of the contract as of that date:
As of listing	4%
As of the first trading day of the month prior to the delivery month	10%
As of the first trading day of the delivery month	15%
As of the second trading day prior to the last trading day	20%

When a futures contract comes to a period of trading that requires an increase in trade margin, as demonstrated in Tables 14-27, above, the Exchange shall, at the daily clearing on the trading day prior to the next trading day when the new period begins, settle the positions opened before the next trading day based on the new trade margin rate to be applied to the next trading day. If a holder of a long or short position becomes insufficient with his margins, the holder must deposit funds to meet the new margin requirement by the opening of the next trading day.

When he is in the delivery month, the holder of a short position may use his standard warrants as collateral to guarantee his performance of the futures contracts with equivalent amount of positions he holds of the delivery month, in which case the holder will not be subject to any margin requirement for those positions.

iii) The following is an example of the period of trading of the futures contract, Cu0305, from its listing to its last trading day:  
The period of trading of Cu0305 is from May 16, 2002 to May 15, 2003;  
The date of listing is May 16, 2002;  
The last trading day is May 15, 2003;  
The trading day prior to the last trading day is May 14, 2003;  
The second trading day prior to the last trading day is May 13, 2003;  
The delivery month is May, 2003;

The month prior to the delivery month is April, 2003;  
The second month prior to the delivery month is March, 2003; and  
The third month prior to the delivery month is February, 2003.



The chronology provided in this Article 5(iii) which exemplifies the period of trading of a futures contract will be used in these Risk Management Rules.

Article 6 In the event that trading in a futures contract reaches a limit price, the margin requirements set forth in Chapter 3 of these Risk Management Rules shall apply.

#### Article 7

i) For the contracts of copper futures, aluminum futures, zinc futures, steel rebar futures, wire rod futures or hot-rolled coil futures:

- (a) when the price variation in aggregate (denoted as N) reaches 7.5% or more on three (3) consecutive trading days (denoted as D1-D3, ) or
- (b) when the price variation in aggregate (denoted as N) reaches 9% or more on four (4) consecutive trading days (denoted as D1-D4) or
- (c) when the price variation in aggregate (denoted as N) reaches 10.5% or more on five (5) consecutive trading days (denoted as D1-D5),

the Exchange may, in its sole discretion, exercise the following one or more measures:

- require additional trade margins from the longs or shorts, or from both the longs and shorts, and/or, at the same or different rates, and/or from a part of or all the members;

- limit the withdrawal of funds to a part of or all the members;
- suspend the opening of new positions for a part of or all of the members;
- adjust the limit price, but not to over twenty percent (20%) up or down;
- order the liquidation of positions by a prescribed deadline; and/or
- exercise forced position liquidation.

(ii) For the lead futures contract, nickel futures contract, tin futures contract or the gold futures contract:

- (a) when the price variation in aggregate (denoted as N) reaches 10% or more on three (3) consecutive trading days (denoted as D1-D3, ) or
- (b) when the price variation in aggregate (denoted as N) reaches 12% or more on four (4) consecutive trading days (denoted as D1-D4) or
- (c) when the price variation in aggregate (denoted as N) reaches 13% or more on five (5) consecutive trading days (denoted as D1-D5)

the Exchange may, in its sole discretion, exercise the following one or more measures:

- require additional trade margins from the longs or shorts, or from both the longs and shorts, and/or, at the same or different rates, and/or from a part of or all the members;
- limit the withdrawal of funds to a part of or all the members;
- suspend the opening of new positions for a part of or all of the members;
- adjust the limit price, but not to over twenty percent (20%) up or down;
- order the liquidation of positions by a prescribed deadline; and/or
- exercise forced position liquidation.

(iii) For the natural rubber or bitumen futures contract:

- (a) when the price variation in aggregate (denoted as N) reaches 9% or more on three (3) consecutive trading days (denoted as D1-D3, ) or
- (b) when the price variation in aggregate (denoted as N) reaches 12% or more on four (4) consecutive trading days (denoted as D1-D4) or
- (c) when the price variation in aggregate (denoted as N) reaches 13.5% or more on five (5) consecutive trading days (denoted as D1-D5),

the Exchange may, in its sole discretion, exercise the following one or more measures:

- require additional trade margins from the longs or shorts, or from both the longs and shorts, and/or, at the same or different rates,

- and/or from a part of or all the members;
- limit the withdrawal of funds to a part of or all the members;
- suspend the opening of new positions for a part of or all of the members;
- adjust the limit price, but not to over twenty percent (20%) up or down;
- order the liquidation of positions by a prescribed deadline; and/or
- exercise forced position liquidation.

iv) For the fuel oil futures or the silver futures contract,

- (a) when the price variation in aggregate (denoted as N) reaches 12% or more on three (3) consecutive trading days (denoted as D1-D3, ) or
- (b) when the price variation in aggregate (denoted as N) reaches 14% or more on four (4) consecutive trading days (denoted as D1-D4) or
- (c) when the price variation in aggregate (denoted as N) reaches 16% or more on five (5) consecutive trading days (denoted as D1-D5),

the Exchange may, in its sole discretion, exercise the following one or more measures:

- require additional trade margins from the longs or shorts, or from both the longs and shorts, and/or, at the same or different rates, and/or from a part of or all the members;
- limit the withdrawal of funds to a part of or all the members;
- suspend the opening of new positions for a part of or allof the members;
- adjust the limit price, but not to over twenty percent (20%) up or down;
- order the liquidation of positions by a prescribed deadline; and/or
- exercise forced position liquidation.

The N is calculated using the following formula:

$$N = \frac{P_t - P_0}{P_0} \times 100\%, \text{ where } t=3,4,5;$$

P<sub>0</sub> is the settlement price of the trading day prior to D1;  
P<sub>t</sub> is the settlement price of the trading day and t=3, 4, 5;  
P<sub>3</sub> is the settlement price of D3;  
P<sub>4</sub> is the settlement price of D4;  
P<sub>5</sub> is the settlement price of D5.

The Exchange shall report to the CSRC before taking any action as provided in this Article 7.

Article8 In the event that two or more trade margin rates are applicable as prescribed in this Chapter 2, the higher or the highest shall be applied as the trade margin.

### **Chapter 3 THE PRICE LIMIT**

Article9 The Exchange applies the Price Limit which sets the maximum price variation for each futures contract during a trading day.

The Exchange will, in its sole discretion, adjust the limit price for a futures contract when any of the following events or conditions occur:

- i) the same direction limit-locked market exists in the trading of a futures market;
- ii) A long public holidays is approaching;
- iii) the Exchange, in its discretion, decides that the risk of the market is increasing; and
- iv) other events or conditions the Exchange deems necessary to adjust the limit price in a market.

The Exchange shall make a public announcement and report to the CSRC of its decision to adjust the limit price.

In the event that two or more limit prices are applicable as prescribed in this Chapter 3, the higher or the highest shall be applied as the limit price.

Article 10 When a futures contract is traded at the limit price, trades shall be matched with priority given to the bids or the asks which facilitates the close-out of the open interest, except for new positions opened on the current day, and based on the "time priority" rule.

Article 11 The term "limit-locked market" means the situation in which within the five (5) minutes prior to the close of a trading day, there are only bids (asks) but no asks (bids) at the limit price, or any asks (bids) are instantly filled while the limit price still exists. The term "same direction limit-locked market" means the situation in which the limit-locked market exists for two (2) consecutive trading days. The term "reverse direction limit-locked market" means the situation in which on the trading day following a limit-locked market, the limit-locked market goes to the opposite direction.

Article12 In the event that a limit-locked market occurs for a futures contract on a trading day (denoted as D1 whereas the previous trading day is D0 and the successive trading days are D2-D6,)

(i) the limit price for D2 shall be fixed at three percent (3%) on top of that for D1 for contracts in copper futures, aluminum futures, zinc futures, lead futures, nickel futures, tin futures, steel rebar futures, wire rod futures, hot-rolled coil futures, gold futures, silver futures, natural rubber futures, fuel oil futures and bitumen.

(ii) At the daily clearing of D1, the trade margin shall be fixed at two percent (2%) on top of the limit price for D2 for the contracts as listed in paragraph (i) of this Article 12. If the trade margin as adjusted is smaller than what is applied on D0 to the daily clearing, the same trade margin as applied on D0 will be used as the trade margin for that contract.

If D1 is the first trading day for a newly listed contract, the contract's trade margin on the day of its listing shall be used as the trade margin applied to the daily clearing of D0.

Article13 If a limit-locked market does not occur on D2, the limit price and trade margin for D3 will return to their regular level.

The occurrence of a reverse direction limit-locked market which occurs on D2 shall trigger a new round of a limit-locked market, i.e. D2 shall become D1 for the new round of limit-locked market, and the margin rate and the limit price for the following trading day shall be set pursuant to the Article 12 of these Risk Management Rules.

If the same direction limit-locked market exists on D2,

i) the limit price for D3 shall be fixed at five percent (5%) on top of the limit price for D1 for the contracts listed in Article 12(i) of these Risk Management Rules, except that it shall be fixed at six percent (6%) for the silver futures contract; and

ii) at the daily clearing of D2, the trade margin shall be fixed at two percent (2%) on top of the limit price for D3 for all the contracts listed in Article 12(i) of these Risk Management Rules except for the silver futures contract for which it will be set at three percent (3%) on top of the limit price for D3. If the adjusted trade margin is smaller than what is applied on D0 to the daily clearing, the trade margin on D0 will be applied to meet the margin requirements for that contract.

Article14 If a limit-locked market does not occur on D3, the limit price and trade margin for D4 will return to the regular level.



The occurrence of a reverse direction limit-locked market which occurs on D3 shall trigger a new round of a limit-locked market, i.e. D3 shall be regarded as D1 for the new round of limit-locked market, and the margin rate and the limit price for the following trading day shall be set pursuant to the Article 12 of these Risk Management Rules.

If a same direction limit-locked market occurs on D3, which means, for three (3) consecutive trading days, the market has been locked in limit price, the Exchange will, at the daily clearing, use the same trade margin as applied on D2 for its daily clearing for the contracts listed in Article 12(i) of these Risk Management Rules and may, in its discretion, suspend withdrawal of funds by a part of or all of its members.

If a same direction limit-locked market occurs on D3, which means, for three (3) consecutive trading days, the market has been locked in limit price, and D3 is the last trading day of the contract, the contract shall move into its settlement and physical delivery phase; or if D4 is the last trading day, the limit price and trade margin for D3 will be extended to D4; or if neither of D3 nor D4 is the last trading day, trading in the contract will be suspended on D4, at which time the Exchange will, in its sole discretion, take either of the following measures on D4:

Alternative 1: the Exchange may make a public announcement that it will take one or more of the following actions on D5:

- require additional trade margins from the longs or shorts, or from both the longs and shorts, and/or, at the same or different rates, and/or from a part of or all the members;
- limit the withdrawal of funds to a part of or all the members;
- suspend the opening of new positions for a part of or all of the members;
- adjust the limit price, but not to over twenty percent (20%) up or down;
- order the liquidation of positions by a prescribed deadline; and/or
- exercise forced position liquidation.

As the Exchange announces an adjustment to the margin level, the member with insufficient margin shall deposit funds to meet the adjusted margin requirement by the opening of D5. If the limit price for D5 is not triggered, the limit price and the trade margin for D6 will return to their regular levels. If the limit price for D5 is triggered and he is in the same direction as that of D3, the Exchange will announce that an emergency exists and exercise contingency measures as provided in the applicable rules of the Exchange. If the limit price for D5 is triggered but it is in the opposite direction to that of D3, a new round of a limit-locked market is triggered, and, therefore, D5 shall be regarded as

D1 and the trade margin and limit price shall be set pursuant to the provisions in Article 12 of these Risk Management Rules. S

Alternative 2: At the daily clearing on D4, the Exchange shall automatically match all unfilled orders that are placed by the close of D3 at the limit price with the open interests held by each customer, or a non-FF member, who incurs gains on his net positions, on a pro rata basis in the open interest of the contract and at that limit price. If that customer, or the non-FF member, has both long and short positions, these positions will be matched and settled before being matched with those resting orders. The procedure is as follows:

i) Determination of the amount of the unfilled orders subject to the order fill:

The term "amount of unfilled orders subject to the order fill" means the total amount of all the unfilled orders submitted after the close of D3 at the limit price into the central order book by each customer who has incurred losses on net positions in the contract of an average level of no less than six percent (6%), or eight percent (8%) for natural rubber, fuel oil and bitumen futures contracts, of D3's settlement price. The customer unwilling to be subjected to this method may cancel the orders before the close of the market on D3, to avoid having the orders filled.

ii) Calculation of each customer's average gains or losses on net positions

customer's average gains or losses on net positions = 
$$\frac{\text{customer's gains or losses on net positions (in RMB)}}{\text{customer's net positions (in unit of weight)}}$$

For purposes of the above formula, the unit of weight is ton for copper, aluminum, zinc, lead, nickel, tin, steel rebar, wire rod, hot-rolled coil futures, natural rubber, fuel oil and bitumen; kilogram for silver, and gram for gold.

The customer's gains or losses on net positions shall equal the amount-weighted sum of differences between the actual prices at which the customer's net positions in a contract which are still open on D3 and the settlement price on D3 of those net positions. For purposes of the foregoing calculation, the customer's net positions in a contract which are still open on D3 refers to the positions resulting from the most recent transactions as of D3, where the total amount of such transactions is equal to the total amount of net positions still open on D3.

iii) Determination of positions eligible to fill the unfilled orders:  
The positions eligible to fill the unfilled orders includes the net positions, on which the customer, as calculated using the formula in the Article 14 (ii), records average gains for speculative purposes or for hedging purposes at no less than six percent (6%), or eight percent (8%) for the natural rubber, fuel oil and bitumen futures contract.

iv) Principles and methods for the order fill of unfilled orders

1. Principles

a) Subject to Article 14(iii), the order fill of unfilled orders shall take place in the order of the following four categories with regard to the amount of gains and whether such positions are speculative or hedging:

Category 1: Unfilled orders shall be filled with the speculative positions eligible to fill the unfilled orders of any customer with average gains on net positions of no less than six percent (6%) of the settlement price on D3 for the contracts in copper futures, aluminum futures, zinc futures, lead futures, nickel futures, tin futures, steel rebar futures, wire rod futures, hot-rolled coil futures, gold futures and silver futures, or the Speculative Position Gains Over 6%. For such positions involving contracts in natural rubber futures, fuel oil futures and bitumen futures, the average gains on net positions shall be no less than eight percent (8%), or the Speculative Position Gains Over 8%;

Category 2: Unfilled orders shall be filled with the speculative positions eligible to fill the unfilled orders of any customer with average gains on net positions of no less than three percent (3%) but no more than six percent (6%) of the settlement price on D3 for contracts with respect to copper futures, aluminum futures, zinc futures, lead futures, nickel futures, tin futures, steel rebar futures, wire rod futures, hot-rolled coil futures, gold futures and silver futures, or the Speculative Position Gains Over 3%. For such positions involving contracts in natural rubber futures, fuel oil futures and bitumen futures, the average positions on net positions shall be no less than four percent (4%) but no more than eight percent (8%), or the Speculative Position Gains Over 4%;

Category 3: Unfilled orders shall be filled with the speculative positions eligible to fill the unfilled orders of a customer with average gains on net positions of no more than three percent (3%) of the settlement price on D3 for contracts in copper futures, aluminum futures, zinc futures, lead futures, nickel futures, tin futures, steel rebar futures, wire rod futures,

hot-rolled coil futures, gold futures and silver futures, or the Speculative Position Gains Below 3%. For such positions involving contracts in natural rubber futures, fuel oil futures and bitumen futures, the average gains on net positions shall be no more than four percent (4%), or the Speculative Position Gains Below 4%; and

Category 4: Unfilled orders shall be filled with the speculative positions eligible to fill the unfilled orders of a customer with average gains on net positions of no less than six percent (6%) of the settlement price on D3 for contracts in copper futures, aluminum futures, zinc futures, lead futures, nickel futures, tin futures, steel rebar futures, wire rod futures, hot-rolled coil futures, gold futures and silver futures, or the Hedging Position Gains Over 6%. For such positions involving contracts in natural rubber futures, fuel oil futures and bitumen futures, the average gains on net positions shall be no less than 8%, or the Hedging Positions Gains Over 8%.

b) In each category, the order fill shall be made pro rata to the amount of the positions available to fill the unfilled orders, compared to the amount of the unfilled orders, or the residual unfilled orders.

## 2. Method And Procedures As Provided In The Appendix

a) Contracts in copper futures, aluminum futures, zinc futures, lead futures, nickel futures, tin futures, steel rebar futures, wire rod futures, hot-rolled coil futures, gold futures, and silver futures

If the amount of the Speculative Position Gains of Over 6% is greater than or equal to that of the unfilled orders, the unfilled orders shall be filled pro rata to the amount of the Speculative Position Gains of Over 6%;

If the amount of the Speculative Position Gains of Over 6% is smaller than that of the unfilled orders, the Speculative Position Gains of Over 6% shall be filled pro rata to the amount of the unfilled orders. The residual unfilled orders, if any, shall be filled with the Speculative Positions Gains of Over 3% in the same manner as the foregoing, and if there are still orders remaining, the outstanding unfilled orders shall be filled to the Speculative Position Gains of Below 3%, and so to the Hedging Position Gains of Over 6%. Unfilled orders which eventually remain after all the order fills described above, if any, shall not be filled at all.

b) Contracts in natural rubber futures, fuel oil futures and bitumen futures

If the amount of the Speculative Position Gains of Over 8% is greater than or equal to that of the unfilled orders, the unfilled orders shall be filled pro rata to the amount of the Speculative Position Gains of Over 8%;

If the amount of the Speculative Position Gains of Over 8% is smaller than that of the unfilled orders, the Speculative Position Gains of Over 8% shall be filled pro rata to the amount of the unfilled orders. The residual unfilled orders, if any, shall be filled with the Speculative Positions Gains of Over 4% in the same manner as the foregoing, and if there are still orders remaining, the outstanding unfilled orders shall be filled to the Speculative Position Gains Below 4%, and so to the Hedging Position Gains of Over 8%. Unfilled orders which eventually remain after all the order fills described above, if any, shall not be filled at all.

v) Decimals Of The Unfilled Orders

Positions are filled to the unfilled orders posted to the central order book under each customer trader code. In the first step, the integral portion of the total size of unfilled orders posted under each customer trader code shall be filled. In the second step, the remaining unfilled portion, i.e. the portion in decimal number posted under each customer trader code, shall be filled according to the ranking of the customer trader codes from highest to lowest decimal with each customer trader code being filled with one (1) lot, except that if there are two or more customers with equal decimals that could be included in the fill, such fill shall be done on a random basis if there are no enough positions to fill the orders.

If market risk is mitigated after Alternative 2 is implemented, the limit price and the margin rate will return to their regular levels on the next trading day; otherwise, the Exchange shall announce that an emergency exists and shall resort to risk management measures pursuant to applicable rules prescribed by the Exchange.

Financial losses incurred as a result of the implementation of Alternative 2 shall be borne by the member and his customers.

## **Chapter 4 THE POSITION LIMIT**

Article 15 The Exchange applies the Position Limit. The term "position limit" means the maximum size of positions for the longs or the shorts each member or customer may hold in a futures contract as prescribed by the Exchange.

Notwithstanding the preceding paragraph, hedging positions shall be subject to the applicable rules of the Exchange.

Article 16 The following fundamental rules shall govern the Position Limit:

- i) a specific position limit is set for each product and its futures contract, based on its particular conditions;
- ii) different position limits levels are applicable to different period of trading of a contract, and the Exchange shall exercise stringent control over it in the delivery month of the contract;
- iii) a position limit is imposed on the member and the customer simultaneously to control the risk. With respect to contracts in lead futures, nickel futures, tin futures, gold futures, natural rubber futures, fuel oil futures, bitumen futures, silver futures and hot-rolled coil futures, percentage-based position limit shall be imposed on the FF member and fixed-amount position limit shall be imposed on the non-FF member and his customer; and
- iv) the opening of hedging positions shall be subject to the Exchange's approval.

Article 17 A customer's positions held at one or more FF members shall be aggregated to determine whether such open positions exceed the customer's fixed-amount position limit.

For contracts in copper futures, aluminum futures and zinc futures, by the close of the last trading day of the month prior to the delivery month, each member or each customer shall adjust their speculative positions held through the member, to multiples of five (5) lots and a one-day delay is allowed under special market conditions; in the delivery month, the speculative positions as well as newly opened and closed-out positions shall be held in multiples of five (5) lots.

For contracts in nickel futures, by the close of the last trading day of the month prior to the delivery month, each member or each customer shall adjust their speculative positions held through the member, to multiples of six (6) lots, with a one-day delay is allowed under special market conditions. In the delivery month, the speculative positions as well as newly opened and closed-out positions shall be held in multiples of six (6) lots as well.

For contracts in rebar futures, wire rod futures and hot-rolled coil futures, by the close of the last trading day of the month prior to the delivery month, each member or each customer shall adjust their speculative

positions held through the member, to multiples of thirty (30) lots and a one-day delay is allowed under special market conditions; in the delivery month, the speculative positions as well as newly opened and closed-out positions shall be held in multiples of thirty (30) lots.

For contracts in gold futures, by the close of the last trading day of the month prior to the delivery month, each member or each customer shall adjust their speculative positions held through the member, to multiples of three (3) lots; in the delivery month, the speculative positions as well as newly opened and closed-out positions shall be held in multiples of three (3) lots.

For contracts in tin futures or silver futures, by the close of the last trading day of the month prior to the delivery month, each member or each customer shall adjust their speculative positions held through the member, to multiples of two (2) lots; in the delivery month, the speculative positions as well as newly opened and closed-out positions shall be held in multiples of two (2) lots.

The rounding of the size of hedging positions in the futures contracts enumerated in the preceding paragraphs to multiples of a certain number of lots are specified in the Hedging Rules of the Shanghai Futures Exchange.

Article 18 Proportions and sizes of position limit for each futures contract at different period of trading for an FF member, a non-FF member and a customer:

Table 28. For contracts in copper futures, aluminum futures, zinc futures, rebar futures and wire rod futures (in lots)

	From the date of listing to the last trading day of the second month prior to the delivery month				First month prior to the delivery month			The delivery month		
	Total open interest	Position limit proportion (in %)			FF	Non-FF	Customer	FF	Non-FF	Customer
		FF	Non-FF	Customer						
Copper	≥120,000	25	10	5	8000	1200	800	3000	500	300
Aluminum	≥120,000	25	10	5	10000	1500	1000	3000	500	300
Zinc	≥120,000	25	10	5	8000	1200	800	3000	500	300
Rebar	≥1,200,000	25	10	5	30000	9000	3000	6000	1800	600
Wire rod	≥450,000	25	10	5	18000	6000	1800	3600	1200	360

Note: total open interest is on a gross basis, size of the position limit for the FF member, the non-FF member and the customer is on a net basis; size of position limit for the FF is the baseline limit.

Table 29. For fuel oil futures contract (in lots)

	From the date of listing to the first month prior to the delivery month		From the date of listing to the last trading day of the third month prior to the delivery month		The second month prior to the delivery month		The first month prior to the delivery month	
	Total open interest	Position limit proportion (in %)	Size of position limit (in lots)		Size of position limit (in lots)		Size of position limit (in lots)	
		FF	Non-FF	Customer	Non-F	Customer	Non-FF	Customer
Fuel oil	≥100,000	25	500	500	300	300	100	100

Note: total open interest is on gross basis, size of position limit for the FF, the non-FF and the customer is on a net basis; size of position limit for the FF is the baseline limit.

Table 30. For contracts in lead futures, nickel futures, tin futures, natural rubber futures, bitumen futures, gold futures, silver futures and hot-rolled coil futures (in lots)

	From the date of listing to the delivery month		From the date of listing to the last trading day of the second month prior to the delivery month		The month prior to the delivery month		The delivery month	
	Total open interest	Position limit Proportion (in %)	Size of position limit (in lots)		Size of position limit (in lots)		Size of position limit (in lots)	
		FF	Non-FF	Customer	Non-FF	Customer	Non-FF	Customer
Lead	≥20,000	25	2500	2500	1000	1000	300	300
Nickel	≥240,000	25	9000	9000	3000	3000	600	600
Tin	≥60,000	25	2000	2000	600	600	200	200
Natural rubber	≥50,000	25	500	500	150	150	50	50
Bitumen	≥300,000	25	8000	8000	1500	1500	500	500
Gold	≥160,000	25	3000	3000	900	900	300	300
Silver	≥300,000	25	6000	6000	1800	1800	600	600
Hot-rolled coil	≥3,600,000	25	180000	180000	9000	9000	1800	1800

Note: total open interest is on gross basis, size of position limit for the FF, the non-FF and the customer is on a net basis; size of position limit for the FF is the baseline limit.



Article 19 The Exchange may adjust the position limit for an FF member subject to his net assets and business profile, using the following formula:

size of position limit = the baseline position limit  $\times$  (1+the credit coefficient+ the business coefficient)

The term “baseline limit” means the minimum size of a position limit set by the Exchange for the FF member, as provided in the Tables 28-30 in Article 18.

The term “credit coefficient” means the variable based on the net assets of an FF member. The minimum net asset requirement for an FF member is RMB thirty (30) million, where his credit coefficient is set at zero (0). With each increment of RMB five (5) million in the net assets, the credit coefficient will increase by 0.1 (one-tenth) up to two (2) in maximum.

The term “business coefficient” means the variable based on the trading turnover of a FF member. The business coefficient is divided into five (5) bands. The minimum trading turnover requirement for an FF member is RMB eight (8) billion, where his business coefficient is set at zero (0) and the business coefficient will increase in parallel to the annual trading turnover, with the maximum set at one (1), as provided in the following:

Table 31

Band	Annual trading turnover (denoted as C1, in RMB 100 million)	The business coefficient
1	$C1 \leq 80$	0
2	$80 < C1 \leq 160$	0.25
3	$160 < C1 \leq 280$	0.50
4	$280 < C1 \leq 400$	0.75
5	$C1 > 400$	1.00

Article 20 The size of the position limit for the FF member will be reviewed and approved by the Exchange on an annual basis.

The FF member shall, by March 15 of each year, submit to the Exchange a document, such as an audited report issued by a certified public accounting firm, evidencing his net assets for the previous year. The Exchange will, based on the FF member’s trading volume for the

previous year from January 1 to December 31, set a size for the FF member's position limit, notify the FF member of the size by March 20 of the current year and make them available through a public announcement. The size of the FF member's position limit shall apply to his futures trading from March 21 (inclusive) of the current year until the close of trading on March 20 (inclusive) of the next year.

Article 21 In case the FF member fails to submit the required evidential documents and statistics within the specified time period or the contents of the required evidential documents and statistics prove invalid, the size of his position limit shall be maintained at the baseline limit level.

Article 22 Any adjustment to the size of the position limit shall be reported by the Exchange to the Board of Directors of the Exchange, or the Board, and the CSRC, for approval prior to its implementation.

Article 23 The size of open interest held by each FF member or his customer shall not exceed the size of the position limit set by the Exchange; otherwise, the Exchange shall exercise forced position liquidation subject to the applicable rules of the Exchange.

If the open interest held in aggregate by a customer through multiple trader codes opened with different FF members exceeds the customer's position limit, the Exchange shall instruct the FF members to exercise forced position liquidation of the excess positions of that customer, subject to the applicable rules of the Exchange.

Article 24 In the event that the aggregate amount of open interests held by a customer of any FF member exceeds his size of position limit, the member shall instruct his customer to reduce his open interest pro rata to the difference between the aggregate open interest and the size of the position limit, within the specified time limit. The Exchange may exercise forced position liquidation of the open interest held by any customer who fails to reduce his open interest as required pursuant to the applicable rules.

## **Chapter 5 THE LARGE TRADER REPORTING**

Article 25 Any member or customer, whose speculative positions in a futures contract reaches eighty percent (80%) or more of his speculative position limit, or as required by the Exchange, shall report to the Exchange about his financial conditions and his position holding. The

customer shall submit such report through his FF member. The Exchange will, in its sole discretion, set and adjust the position limit accordingly.

Article 26 Any member or customer whose positions reach the reportable level shall take the initiative to submit a report to the Exchange by 15:00 of the following trading day. The Exchange may request any additional information from the member as deemed necessary.

Article 27 The FF member, whose positions meet the position reportable level, shall provide to the Exchange the following documents:

- i) a completed copy of the FF member Large Trader Reporting Form which specifies the member's name and member code, contract code, open interest, trade margins on the open interest, availability of funds, number of customers holding positions, the amounts covered by the delivery notice issued, and the amounts tendered for delivery.
- ii) a description of the source of funds;
- iii) names, trader codes, respective open interest, account opening documents and daily settlement statements of his top five (5) customers ranking in terms of size of open interest; and
- iv) any other documents as required by the Exchange.

Article 28 The non-FF member, whose positions reach the reportable level, shall provide to the Exchange the following documents:

- i) a completed copy of the non-FF member Large trader reporting Form which specifies the member's name and member code, contract code, open interest, trade margins on the open interest, availability of funds, whether the positions held are speculative or hedging, the amounts covered by the delivery notice issued and the amounts tendered for delivery.
- ii) a description of the source of funds; and
- iii) any other documents as required by the Exchange.

Article 29 Any customer, whose positions reach the reportable level shall provide to the Exchange the following documents:

- i) a completed copy of the Customer Large Trader Reporting Form which specifies the member's name and member code, customer name and customer code, contract code, open interest, trade margins on the open interest, availability of funds, whether the positions held are speculative or hedging, the amounts covered by the delivery notice issued and the amounts tendered for delivery.
- (ii) an explanation of the source of his funds;
- (iii) account opening documents and the settlement statement of the

current day; and

(iv) any other documentation required by the Exchange.

Article 30 Each FF member shall review the documents submitted by his customer whose positions reach the reportable level, before forwarding them to the Exchange. The FF member shall be responsible for the accuracy of the customer's documents submitted.

Article 31 The Exchange may, from time to time, examine the documents submitted by the member or the customer.

Article 32 If the aggregate amount of open interest held by a customer through multiple trader codes opened with different FF members meets there portable level, the Exchange shall designate a FF member to submit the documents required by the Exchange.

## **Chapter 6 THE FORCED POSITION LIQUIDATION**

Article 33 The "Forced Position Liquidation" means the mandatory action the Exchange takes to close out the positions of a member or a customer who violates any applicable rules of the Exchange.

Article 34 The Exchange shall impose forced position liquidation on the member or the customer, if:

- i) the balance of the clearing deposit of such member falls below zero (0) and he fails to meet the margin requirement within the specified time limit;
- ii) his open interest exceeds the size of the applicable position limit;
- iii) such member or customer fails to bring his positions in a futures contract to multiples as required within the specified time limit;
- iv) such member or customer violates any Exchange's rules that warrants a forced position liquidation;
- v) any emergency happens that warrants a forced position liquidation; or
- vi) any other conditions exist that makes the forced position liquidation necessary.

Article 35 Principles

The member shall, in the first place, exercise forced position liquidation as required by the Exchange by the end of the first trading session on the current trading day or within the time limit prescribed by the Exchange. If the member fails to fulfill the execution within the defined time limit, the forced position liquidation shall be enforced by the Exchange. The

member, who is required to exercise forced position liquidation because of his clearing deposit balance falling below zero (0), shall be prohibited from opening new positions before meeting the margin requirement.

i) Positions For The Member's Execution Of Forced Position Liquidation

a) Under the conditions provided in the Article 34(i) and (ii), the member shall determine the portion of positions that could be included in the scope of forced position liquidation at his discretion to achieve the results required by the Exchange's applicable rules.

b) Under the conditions provided in the Article 34(iii)-(vi), the Exchange shall determine the portion of positions that could be included in the scope of forced position liquidation.

ii) Positions For The Exchange's Execution Of Forced Position Liquidation

a) Under the conditions provided in the Article 34(i), the Exchange shall liquidate the positions subject to the priority of speculative positions over hedging positions and in a descending sequence by the size of the open interest for each contract at the close of the previous trading day, i.e., the speculative positions with the largest open interest shall be liquidated first; and proceed to the liquidation on positions based on the customer's losses on net positions in a descending sequence.

Where more than one member is required to have his open interest liquidated, priority shall be given to the members with the greatest margin call according to the ranking of margin calls in a descending sequence.

b) Under the conditions provided in the Article 34(ii), if the open interest of one sole member exceeds his position limit, the Exchange shall determine the size of the member's positions to be liquidated pro rata to the size of the member's open interest in excess of the position limit, compared to the total size of the member's speculative positions. If two or more members are subject to a forced position liquidation, they will be placed in a descending sequence of their open interest in excess of the position limit and the member with the largest open interest in excess shall be liquidated first. If the open interest of a customer exceeds the position limit, the portion in excess shall be liquidated. If the open interests of a member and a customer simultaneously exceed the size of their position limits, the customer's positions in excess shall be liquidated before the member's. Nonetheless, positions of contracts in lead futures, gold futures, natural rubber futures, fuel oil futures, silver futures and bitumen futures which exceed the applicable position limit, will be subject to provisions as otherwise set out in this Article 35.

Under the conditions provided in the Article 34 (ii), if a customer or a non-FF member, whose open interest in contracts of lead futures, gold futures, natural rubber futures, fuel oil futures, silver futures, bitumen futures and hot-rolled coil futures exceeds the applicable position limit, the Exchange shall enforce liquidation of the positions in excess of the position limit held by such customer or non-FF member; if a FF member whose open interest in contracts of lead futures, nickel futures, tin futures, gold futures, natural rubber futures, fuel oil futures, silver futures, bitumen futures and hot-rolled coil futures, reaches or exceeds the applicable position limit, shall not be allowed to open any positions in the same direction.

c) Under the conditions provided in the Article 34(iii)-(vi), the Exchange shall, in its sole discretion, determine the portion of open interest for forced position liquidation.

If a member simultaneously meets the conditions as provided in Article 34(i) and (ii), the Exchange shall determine the positions for forced position liquidation pursuant to the Article 34(ii) in the first place, and then pursuant to the Article 34(i).

#### Article 36 Enforcement Of Forced Position Liquidation

i) Notification. The Exchange shall issue a notice of forced position liquidation, or the notice, to the member, covered by the notice, who is subject to the forced position liquidation. In addition, the notice shall be delivered to the member through the member service system along with the daily clearing data.

#### ii) Enforcement And Confirmation

a) After the market opens, the member covered by the notice shall enforce the liquidation of his positions and reduce the size of his open interest to the prescribed level, which will be subject to the Exchange's verification;

If the member is subject to the situation provided in the Article 34(iii), the Exchange may directly enforce liquidation in respect of the open interest held by such member.;

b) If the member fails to complete the forced position liquidation within the specified time limit, the Exchange will directly enforce liquidation of the remaining open interest;

c) Upon the conclusion of the forced position liquidation, the Exchange shall record the enforcement results for filing purpose; and

d) The enforcement results of the forced position liquidation shall be delivered to the member through the member service system along with the daily trade records.

Article 37 Liquidation shall be enforced at a price formed through trades executed on the market.

Article 38 If the forced position liquidation fails to be completed within the specified time due to the limit price or as the result of other market conditions, the remainder of positions subject to the forced position liquidation may and will be closed out on the next trading day pursuant to the principles described in Article 35.

Article 39 If the forced position liquidation fails to be completed for the current day due to the limit price or as the result of other market conditions, the Exchange shall take measures as appropriate, with regard to the daily clearing status of the member, to resolve any consequences that may derive from the incomplete forced position liquidation.

Article 40 If the enforcement of the forced position liquidation on the specific positions has to be prolonged due to the limit price or as the result of other market conditions, any losses incurred as such shall be borne by the person directly accountable for the enforcement of liquidation. In the event of failure to complete the enforcement of liquidation, the holder of the open interest subject to the forced position liquidation shall assume all the responsibilities arising from his ownership and bears all the obligations of delivery on the covered contracts.

Article 41 Gains, if any, arising from a forced position liquidation executed by a member, shall be credited to the person directly accountable for the enforcement of liquidation; gains arising from the Exchange's enforcement of liquidation shall be disposed of in compliance with the national regulations. Losses arising from a forced position liquidation shall be borne by the person directly accountable for the enforcement of liquidation.

If the person directly accountable for the enforcement of liquidation is a customer, any losses arising from the forced position liquidation shall first be borne by the member carrying that customer and then the member may exercise his right of recourse against that customer for reimbursement.

## **Chapter 7 THE RISK WARNING**

Article 42 The Exchange may, as it deems necessary, resort to the following measures, alone or in combination, to warn against and resolve risks:

- request an explanation with respect to a specific situation;
- conduct an interview to give an oral warning;
- issue a risk warning letter;
- give a reprimand; and/or
- issue a risk warning notice.

Article 43 The Exchange may have an interview with the designated senior executive of a member or a customer, or require a member or customer to provide an explanation with respect to a specific situation, when any of the following conditions exists:

- i) unusual price movements;
- ii) unusual trading activities by such member or customer;
- iii) any irregularity in the open interest of such member or customer;
- iv) any irregularity in such member's funds on deposit;
- v) any suspected violation or default by such member or customer;
- vi) any allegation, accusation or complaint against such member or customer received by the Exchange;
- vii) any judicial investigation against such member; or
- viii) other conditions as the Exchange deems necessary.

The Exchange shall comply with the following requirements in conducting an interview to give an oral warning:

- i) the Exchange shall issue a written request to the designated executive of the member or the customer for an interview. The customer shall be accompanied by a person designated by the member for the interview;
- ii) the Exchange shall notify the member in writing one (1) day in advance of the time, location and requirements of the interview;
- iii) any interviewee who is unable to attend the interview due to any particular reason shall notify the Exchange in advance; with the Exchange's approval, the party may designate a proxy to attend and act on his behalf;
- iv) an interviewee shall make true representations and refrain from intentional concealment of any fact; and
- v) the Exchange's employees shall maintain the confidentiality of any information related to the interview.

The member or the customer shall refer to the regime of the Large Trader Reporting for manner and contents of the report, which is set forth in



Chapter 5, if he is ordered by the Exchange to provide an explanation with respect to a specific situation.

Article 44 The Exchange may issue a risk warning letter to the member or the customer, if he finds that such member or customer commits any suspected violation of the Exchange's rules or holds open interest that is exposed to substantial potential risks.

Article 45 The Exchange will make a reprimand against the member or the customer, through the designated media, if the member or the customer is associated with any of the following actions or conduct:

- i) he fails to provide an explanation with respect to a specific situation or attend the interview as required by the Exchange;
- ii) he intentionally conceals facts, or hides, falsifies, or omits important information when explaining a specific situation or answering questions;
- iii) he intentionally destroys or eliminates evidence of rule violations or fails to cooperate with the CSRC or the Exchange in any investigation;
- iv) the member is found to have engaged in fraudulent actions towards customers;
- (v) he is proved, upon investigation, to trade secretly through multiple accounts or manipulate the market; or
- vi) he commits any other violation of the Exchange's rules as determined by the Exchange.

Apart from making reprimand against the member or customer, the Exchange shall bring the member or the customer who engages in the violations of the rules of the Exchange subject to the sanctions as provided in the Enforcement Rules of the Shanghai Futures Exchange.

Article 46 The Exchange shall issue a risk warning notice to all the members and customers if any of the following conditions exists:

- i) unusual price movements;
- ii) a considerable discrepancy between the prices of the futures and the physicals;
- iii) a considerable discrepancy between prices of domestic and international futures markets; and/or
- iv) any other conditions under which the Exchange deems he necessary to issue a risk warning notice.

## **Chapter 8 MISCELLANEOUS**

Article 47 Any behavior or conduct in breach of these Risk Management

Rules will be brought by the Exchange under the sanctions as provided in the Enforcement Rules of the Shanghai Futures Exchange and these Risk Management Rules.

Article 48 The rules on risk management of speculative trading in these Risk Management Rules are applicable to non-hedging trading except otherwise specified by the Exchange.

Article 49 Risk management with regard to continuous trading shall be governed by the provisions in the Continuous Trading of the Shanghai Futures Exchange.

Article 50 The Exchange reserves the right to interpret these Risk Management Rules.

Article 51 These Risk Management Rules are effective as of MMDDYY, and for nickel and tin futures, the listing day.

Appendix—Methods and Procedures for the Fill of Unfilled Orders

**Appendix:****Methods and Procedures for the Fill of Unfilled Orders in Contracts of Copper, Aluminum, Zinc, Lead, Nickel, Tin, Steel Rebar, Wire Rod, Gold, Silver and Hot-rolled Coil Futures**

Step	Scenario	Amount	Percentage	Filled to	Result
1	Speculative Positions with Gains of No Less Than 6% $\geq$ Unfilled Orders	Unfilled Orders	Unfilled Orders Speculative Positions with Gains of No Less Than 6%	Customers holding the Speculative Positions with Gains of No Less Than 6%	Fill completed
2	Speculative Positions with Gains of No Less Than 6% $<$ Unfilled Orders	Speculative Positions with Gains of No Less Than 6%	Speculative Positions with Gains of No Less Than 6% Unfilled Orders	Customers placing the Unfilled Orders	Residual Unfilled Orders, if any, to be filled in the Step 3, and the Step 4
3	Speculative Positions with Gains of No Less Than 3% $\geq$ Residual Unfilled Orders I	Residual Unfilled Orders I	Residual Unfilled Orders I Speculative Positions with Gains of No Less Than 3%	Customers holding the Speculative Positions with Gains of No Less Than 3%	Fill completed
4	Speculative Positions with Gains No Less Than 3% $<$ Residual Unfilled Orders I	Speculative Positions with Gains of No Less Than 3%	Speculative Positions with Gains of No Less Than 3% Residual Unfilled Orders I	Customers placing the Residual Unfilled Orders	Residual Unfilled Orders, if any, to be filled in the Step 5, and the Step 6
5	Speculative Positions with Gains of Less Than 3% $\geq$ Residual Unfilled Orders II	Residual Unfilled Orders II	Residual Unfilled Orders II Speculative Positions with Gains of Less Than 3%	Customers holding the Speculative Positions with Gains of Less Than 3%	Fill completed
6	Speculative Positions with Gains of Less Than 3% $<$ Residual Unfilled Orders II	Speculative Positions with Gains of Less Than 3%	Speculative Positions With Gains of Less Than 3% Residual Unfilled Orders II	Customers placing the Residual Unfilled Orders	Residual Unfilled Orders, if any, to be filled in the Step 7, and the Step 8

7	Hedging Positions with Gains of No Less Than 6% $\geq$ Residual Unfilled Orders III	Residual Unfilled Orders III	<u>Residual Unfilled Orders III</u> Hedging Positions with Gains of No Less Than 6%	Customers holding the Hedging Positions with Gains of No Less Than 6%	Fill completed
8	Hedging Positions with Gains of No Less Than 6% < Residual Unfilled Orders III	Hedging Positions with Gains of No Less Than 6%	<u>Hedging Positions with Gains of No Less Than 6%</u> Residual Unfilled Orders III	customers placing the Residual Unfilled Orders	Orders not to be filled at all

## Notes:

1. Residual Unfilled Orders I = Unfilled Orders – Speculative Positions with Gains of No Less Than 6%;
2. Residual Unfilled Orders II = Residual Unfilled Orders I – Speculative Positions with Gains of No Less Than 3%;
3. Residual Unfilled Orders III = Residual Unfilled Orders II – Speculative Positions with Gains of Less Than 3%;
4. The speculative positions or the hedging Positions refer to open interest of the customers who have incurred gains on eligible positions

### Methods and Procedures for the Fill of Unfilled Orders in Contracts of Natural Rubber, Fuel Oil Futures and Bitumen Futures

Step	Scenario	Size	Percentage	Filled to	Result
1	Speculative Positions with Gains of No Less Than 8% $\geq$ Unfilled Orders	Unfilled Orders	<u>Unfilled Orders</u> Speculative Positions with Gains of No Less Than 8%	customers holding the Speculative Positions with Gains of No Less Than 8%	Fill completed
2	Speculative Positions with Gains of No Less Than 8% $<$ Unfilled Orders	Speculative Positions with Gains of No Less Than 8%	Speculative Positions with Gains <u>of No Less Than 8%</u> Unfilled Orders	customers placing the Unfilled Orders	Residual Unfilled Orders, if any, to be filled in the Step 3, and the Step 4
3	Speculative Positions with Gains of No Less Than 4% $\geq$ Residual Unfilled Orders I	Residual Unfilled Orders I	<u>Residual Unfilled Orders I</u> Speculative Positions with Gains of No Less Than 4%	customers holding the Speculative Positions with Gains of No Less Than 4%	Fill completed
4	Speculative Positions with Gains of No Less Than 4% $<$ Residual Unfilled Orders I	Speculative Positions with Gains of No Less Than 4%	Speculative Positions with Gains <u>of No Less Than 4%</u> Residual Unfilled Orders I	customers placing the Residual Unfilled Orders	Residual Unfilled Orders, if any, to be filled in the Step 5, and the Step 6
5	Speculative Positions with Gains of Less Than 4% $\geq$ Residual Unfilled Orders II	Residual Unfilled Orders II	<u>Residual Unfilled Orders II</u> Speculative Positions with Gains of Less Than 4%	customers holding the Speculative Positions with Gains of Less Than 4%	Fill completed
6	Speculative Positions with	Speculative	<u>Speculative Positions with</u>	customers placing the	Residual Unfilled

	Gains of Less Than 4% < Residual Unfilled Orders II	Positions With Gains of Less Than 4%	<u>Gains of Less Than 4%</u> Residual Unfilled Orders II	Residual Unfilled Orders	Orders to be filled in the Step 7, and the Step 8
7	Hedging Positions with Gains of No Less Than 8% $\geq$ Residual Unfilled Orders III	Residual Unfilled Orders III	Residual Unfilled Orders III Hedging Positions with Gains of No Less Than 8%	customers holding the Hedging Positions with Gains of No Less Than 8%	Fill completed
8	Hedging Positions with Gains of No Less Than 8% < Residual Unfilled Orders III	Hedging Positions with Gains of No Less Than 8%	Hedging Positions with Gains of <u>No Less Than 8%</u> Residual Unfilled Orders III	customers placing the Residual Unfilled Orders	Orders not to be filled at all

## Notes:

1. Residual Unfilled Orders I = Unfilled Orders –Speculative Positions with Gains of No Less Than 8%;
2. Residual Unfilled Orders II = residual Unfilled Orders I – Speculative Positions with Gains of No Less Than 4%;
3. Residual Unfilled Orders III = residual Unfilled Orders II –Speculative Positions with Gains of Less Than 4%;
- 4.The Speculative Positions or the Hedging Positions refer to open interest of the customers who have incurred gains on Eligible Positions

