

Guide of the Shanghai Futures Exchange for Market Maker Business

Shanghai Futures Exchange

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Statement

To regulate the management of market-making business of Shanghai Futures Exchange (hereinafter referred to as "the Exchange"), this *Guide* is formulated according to the rules such as *Trading Rules of Shanghai Futures Exchange* and *Market-making Management Rules of Shanghai Futures Exchange*. The main contents of this *Guide* include the overall requirements for market makers, qualifications, business application and acceptance, obligations and rights, evaluation and assessment, compliance and risk control, technical systems, supervision, etc. The Exchange will continuously update and adjust this *Guide* according to changes in its business rules and market conditions. If there is any inconsistency between the content of this *Guide* and the Exchange's relevant business rules, the relevant business rules shall prevail. The rights and obligations of market makers, evaluation and assessment, and other related requirements shall be subject to the *Market-making Management Rules of Shanghai Futures Exchange* and the agreement signed between the market maker and the Exchange.

Chapter 1 General Requirements

1. Overview

The Exchange may introduce market makers for designated products, and shall disclose them to the market.

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

A market maker provides the following two types of two-sided quotes:

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

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

Each quote from a market maker shall specify the contract code, bid price, ask price, and quantity for both sides.

2. Organizational Structure and Position Settings

Market makers should have specialized agencies and personnel responsible for market-making business, and market-making business should be effectively isolated from other businesses to prevent conflicts of interest. Market makers shall not outsource, entrust, subcontract, or subcontract market-making business to third parties in any form, or jointly or separately perform market-making business with third parties through cooperation, joint ventures, or agreed transactions. Market makers shall be familiar with futures and options related laws and regulations, and the Exchange business rules. The person in charge of market-making business and key related personnel engaged in market-making business shall engage in market-making business within China.

Market makers engaged in market-making business should have a person in charge of market-making business and at least set up trading positions, risk control positions, technical operation and maintenance positions, etc.

3. System and Process

Market makers shall strictly comply with laws, regulations, rules, and the Exchange business rules.

Market makers shall formulate sound plans for implementing market-making business to ensure the standardized operation of market-making business. The content of the implementation plan for market-making business includes but is not limited to the overall planning of market-making business, market-making strategies, construction of market-making technical systems for trading, and quotation obligation management, etc.

Market makers shall establish strict internal control and risk management systems, standardize various business operation processes, so as to ensure that market-making business risks are controllable and compliant with laws and regulations. The content of the internal control system includes but is not limited to business operation management, compliance and internal control, supervision and management, limit management, responsible person and their duty management; the content of the risk management system includes but is not limited to the independence of risk control of the company and within the market-making department, fund management, market risk management, delivery risk management, operational risk management, model risk management, liquidity risk management, technical risk management, warning setting, etc.

Market makers shall establish an emergency response mechanism for market-making business, properly handle emergencies or abnormal events in market-making business, and ensure the smooth operation of market-making business. The contents of this mechanism include but are not limited to emergency situations, early warning and response mechanisms, emergency response measures and processes, reporting mechanisms and post-event management, etc.

4. Market Making Funds

The net assets of market makers shall not be less than RMB 50 million yuan. Market makers shall use their own funds for market-making and shall not conduct market-making business with funds raised in violation of laws and regulations such as

fund issuance, wealth management, trusts, and asset management products.

5. Technical System

Market makers shall have stable and reliable technical systems for market-making business, establish sound information technology management systems, information system reporting systems, and emergency mechanisms, and participate in relevant tests and emergency drills as required by the Exchange. The technical system for market-making business shall have basic functions such as market data, trading, risk control, fund and position management, emergency disposal, market-making obligation statistics, etc.

Chapter 2 Qualifications

The Exchange can introduce market makers in designated products and adjust the number and structure of market makers according to market development. The qualification of market makers is subject to the market maker agreement signed with the Exchange.

1. Market Maker Qualification Conditions

An applicant for the market maker shall meet the following requirements:

- (1) Having a net asset of no less than RMB 50 million yuan;
- (2) Having specialized agencies and personnel responsible for the market-making business, and market-making personnel familiar with the relevant laws and regulations as well as the Exchange's business rules;
- (3) Having a sound plan for the market-making business, an internal control system and a risk management system;
- (4) Having no record of severe violation of laws and regulations in the past three years;
- (5) Having a stable and reliable technology system for the market-making business;
- (6) Having the experience recognized by the Exchange in trading, market-making or simulated market-making;

(7) Other requirements prescribed by the Exchange.

2. Market Maker Review

The market maker review procedure mainly includes collecting application materials, preliminary review of materials, comprehensive evaluation, etc. The Exchange selects a specified number of market makers based on the comprehensive situation of the applying institutions. The selected applying institutions, after signing the market maker agreement with the Exchange within the specified time, obtain the market maker qualification for corresponding product, and those who fail to sign the agreement within the deadline cannot obtain the market maker qualification for corresponding product.

3. Market Maker Exit Mechanism

3.1 Revoke

3.1.1 The Exchange may revoke a market maker's qualification for a product if the market maker:

- (1) fails to perform its quoting obligations as agreed;
- (2) no longer satisfies the requirements for a market maker prescribed in *Market-Making Management Rules of Shanghai Futures Exchange*; or
- (3) is involved in any other circumstances prescribed by the Exchange or provided in the *Agreement*.

3.1.2 The Exchange may revoke a market maker's qualification for all products if the market maker:

- (1) commits any severe violation of laws and regulations;
- (2) is banned from the securities or futures market by China Securities Regulatory Commission or other competent authorities;
- (3) is being subject to legitimate acquisition, merger, registration cancellation, dissolution or declared bankrupt;
- (4) provides any fake material to the Exchange; or

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

If a market maker's qualification is revoked, all related agreements it has entered into with the Exchange shall be automatically terminated as of the date when the Exchange notifies its termination of qualifications.

3.2 Waive

A Market maker may apply to waive its market maker qualification. A market maker who intends to waive its market maker status shall apply to the Exchange one month in advance, and all related agreements it has entered into with the Exchange shall automatically terminate as of the date when the Exchange notifies its termination of qualifications.

When a market maker no longer meets the regulatory requirements for conducting market-making business, it shall apply to waive its market maker qualification.

3.3 The Exchange Terminates Market Maker Business

The Exchange may terminate the market maker business on some or all products based on relevant national laws, regulations, policies, market operation conditions, and business needs, and notify the market maker. When the Exchange terminates the market maker business, the relevant agreement shall be automatically terminated.

Within one year from the date that a market maker's qualification is revoked or waived for a certain product, the Exchange will no longer accept its market maker qualification application for that product.

Chapter 3 Business Application and Acceptance

1. Market Maker Qualification Application

1.1 Submission of Application Materials

An applicant as a market maker shall submit the following written materials to the Exchange:

- (1) An *Application Form of Market-making Qualification* with its official seal signed by its legal representative;
- (2) A copy of its *Business License* with its official seal;
- (3) Latest audited financial statement, or a copy of such statement with the official seal of the accounting firm;
- (4) Post setting and job responsibility of the market-making department, the name list and resumes of the person-in-charge and other personnel for the market-making business;
- (5) Implementation plan for the market-making business, internal control system and risk management system;
- (6) *Letter of Commitment* on no severe violation of laws and regulations in the past three years;
- (7) Statement on its technology system for the market-making business;
- (8) Statement on its trading, market-making or simulated market-making;
- (9) Other materials required by the Exchange, including but not limited to an explanation of basic information such as company shareholders, establishment time, registered address, office address, etc. Securities companies, futures companies' risk management subsidiaries, and other units shall provide a copy of the letter of record of market-making business issued by the industry regulator.

1.2 Preliminary Review of Materials

The Exchange conducts a preliminary review of the qualifications of the applying unit based on the application materials received. Those who fail to submit the application materials as required or do not meet the market maker qualification conditions cannot participate in the subsequent review.

1.3 Comprehensive Assessment

The Exchange conducts a comprehensive assessment of the applying institution based on its organizational background, personnel allocation, market-making experience, technical preparation, etc., and selects market makers based on the

comprehensive situation of the applying institution.

The Exchange may conduct on-site inspections of applying institutions and verify relevant contents of the application materials. Applying institutions that fail the on-site inspection will lose their qualification for review.

1.4 Qualification Determination and Signing of Market Maker Agreement

After approval by the Exchange, the applying institution shall sign a market maker agreement with the Exchange. After signing the agreement, the applying institution obtains the market maker qualification for the corresponding product(s). Before signing the market maker agreement with the Exchange, the market maker should first reach an agreement with the futures firm where the market-making business is located on matters related to market-making.

After obtaining the market maker qualification, the market maker shall promptly carry out equipment system installation, commissioning, and other related work to ensure that the market-making business is ready.

2. Market Making Trading Code Application

Market makers shall apply for a dedicated market-making trading code (the market-making trading code is "membership ID + client ID") for market-making business, excluding non-futures firm members. Futures market-making trading codes can be used to trade market-making futures products, and options market-making trading codes can be used to trade options market-making products and underlying futures products, and cannot be used to trade other products.

The application process for a market-making trading code is as follows:

2.1 Market Maker Information Reporting

Market makers should timely and accurately report information such as "client name," "organization code," and "futures firm name" to the Exchange according to its requirements. The Exchange will report market maker information in the Futures Market Unified Account Opening System.

2.2 Apply for Market-Making Trading Code through Futures Firm

After signing the market maker agreement and confirming the successful

information reporting with the Exchange, market makers should entrust the futures firm where the market-making business is located to apply for a market-making trading code through the Futures Market Unified Account Opening System. The information such as "client name," "organization code," and "futures firm name" entered by the futures firm when applying for the market-making trading code should be completely consistent with the information reported to the Exchange, otherwise the application will fail.

3. Change Application for Market-Making Trading Code

A market maker can only use one market-making trading code to conduct market-making business in a product.

If a market maker needs to change its market-making trading code, it shall submit a change application to the Exchange in advance. After changing the market-making trading code, the market maker shall promptly settle the relevant positions under the previous market-making trading code. If there are no other market-making products under this trading code, the trading code should be canceled promptly after the position settlement.

The change process is as follows: the market maker submits an application for changing the market-making trading code to the Exchange in accordance with the agreement. After the Exchange agrees and reports the change information in the Futures Market Unified Account Opening System, the market maker can reapply for a market-making trading code through the futures firm where the market-making business is located. The process of reapplying for a market-making trading code is the same as above.

4. Application for Exemption from Quotation Obligation

Market makers can apply for exemption from the quotation obligation for designated dates and products or contracts due to force majeure or other circumstances recognized by the Exchange. After receiving the application and agreeing, the Exchange may exempt the market maker from its quotation obligations accordingly.

5. Change Application for Position Limit

For the performance of market-making obligations, market makers can apply to increase their position limits. After receiving the application, the Exchange evaluates and determines the increased position limit for the market maker. The Exchange's

management of market maker position limits mainly includes the following aspects:

(1) When applying to increase the position limit, the market maker should submit a commitment letter to the Exchange, promising to comply with the Exchange's rules and regulations, and ensure that the applied position limit is not used for trading unrelated to market-making, etc. After affixing the official seal of the institution, the market maker should send the original commitment letter to the Exchange.

(2) After losing the market maker qualification, the market maker should promptly and orderly settle the relevant positions under the original market-making trading code (generally not exceeding one month), and the Exchange will restrict the opening rights of the trading code and cancel the increased position limit.

(3) The Exchange reviews applications to increase position limits for market makers based on market operation conditions and demands for market-making business.

(4) The market-making trading code cannot share the increased position limit with other trading codes.

(5) The Exchange may adjust the reviewed position limit based on market conditions.

6. Application to Waive

A market maker may apply to waive its market maker status. A market maker who intends to waive its market maker status shall apply to the Exchange one month in advance, and all related agreements it has entered into with the Exchange shall automatically terminate on the day the Exchange notifies it of the termination of its qualifications.

7. Report Change of Basic Information of Market Maker

When there are changes in the controlling shareholder (partner), business premises, legal representative, person in charge of market-making business and their contact information, as well as significant changes in financial conditions and technical systems, market makers shall report in writing to the Exchange within 3 trading days from the date of the change.

If the mailing address and email address specified in the market maker agreement change, the market maker shall promptly notify the Exchange.

Chapter 4 Obligations and Rights

1. Market Maker Obligations

1.1 Futures Market Maker

Futures market makers are required to fulfill continuous quoting obligations.

1.1.1 Continuous Quoting Obligation

Within a specified period, the effective continuous quoting time ratio of a market maker on the market-making contract should not be lower than the minimum requirement of the Exchange. The market-making contract is designated by the Exchange according to market conditions and notified to the market maker through the market maker agreement. The effective continuous quoting time ratio refers to the ratio of the time the market maker provides effective continuous quotes on the market-making contract to the total trading time.

Effective continuous quotes should meet the following two conditions:

- (1) The cumulative number of buy quotes and sell quotes should not be less than the minimum quoting quantity specified;
- (2) Based on meeting condition (1), the difference between the highest sell quote corresponding to the cumulative sell quotes reaching the minimum quoting quantity and the lowest buy quote corresponding to the cumulative buy quotes reaching the minimum quoting quantity should not be greater than the maximum bid-ask spread specified.

1.1.2 Quoting Obligation Exemption

A futures market maker is released from its quoting obligation:

- (1) the contract to be quoted on is in a Limit-Locked market; or
- (2) the market is under any other circumstance so recognized by the Exchange.

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

1.2 Options Market Maker

Options market makers are required to fulfill continuous quoting and response quoting obligations using two-sided quoting instructions.

1.2.1 Continuous Quoting Obligation

Market makers need to provide continuous quotes for at-the-money options and their adjacent call and put option contracts for the corresponding continuous quotes months of the market-making option products. The specific quoting months and contracts are subject to the market maker agreement and the Exchange notification.

Within a specified period, the effective continuous quoting time ratio of a market maker should not be lower than the minimum requirement of the Exchange. The effective continuous quoting time ratio refers to the ratio of the total time the market maker provides effective continuous quotes on all contracts that need to fulfill continuous quoting obligations to the total trading time.

Effective continuous quotes should meet the following two conditions:

- (1) The volume of two-sided quotes should not be less than the minimum quoting quantity specified;
- (2) The bid-ask spread of two-sided quotes should not exceed the maximum bid-ask spread specified.

1.2.2 Response Quoting Obligation

Market makers need to provide response quotes for quote requests for options contracts specified in the market maker agreement and by the Exchange.

Within a specified period, the effective response quote ratio of a market maker should not be lower than the minimum requirement of the Exchange. The effective response quote ratio refers to the ratio of the total number of effective response quotes provided by the market maker to the total number of quote requests that need to be responded to on all contracts that need to fulfill response quoting obligations.

Effective response quotes should meet the specified conditions of the Exchange regarding response time, duration, maximum bid-ask spread, and minimum quoting quantity.

1.2.3 Quote Obligation Exemption

An options market maker is released from its quoting obligation if, with respect to an options contract:

- (1) the underlying futures contract is in a Limit-Locked market, in which case the market maker may cease providing quotes on all corresponding-month options contracts on the current day;
- (2) the options contract is in a limit-locked market, in which case the market maker may cease providing quotes on said options contract on the current day;
- (3) the options contract is priced below the level agreed upon in the Agreement, in which case the market maker may cease providing quotes on said options contract; or
- (4) the market is under any other circumstance so recognized by the Exchange.

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

2. Market Maker Rights

2.1 Exemption from Frequent Order Cancellation

Frequent order cancellation caused by market-making business will not be deemed as abnormal trading behavior.

2.2 Exemption from Order Fee

Market makers are exempt from order fees for market-making transactions.

2.3 Exemption from Position Limit

For the performance of market-making obligations, market makers can apply to increase their position limits.

2.4 Transaction Fee Reduction and Incentives

Based on the agreement and market-making situation, the Exchange may provide market makers with reductions on transaction fees, incentives, etc.

2.4.1 Futures Market Maker

(1) Reduction on Transaction Fee

The Exchange may reduce the transaction fees of market makers on market-making futures products. The specific reduction ratio is subject to the market maker agreement and the Exchange notification.

(2) Incentives

In addition to reductions on transaction fees, the Exchange may set corresponding incentives for market makers based on their quoting, transaction, and position situations on market-making contracts. The specific incentive amount is subject to the market maker agreement and the Exchange notification. The calculation rules for various incentives are as follows:

a. Quoting Incentive

For a certain market-making product, the Exchange calculates the quoting incentive amount based on the effective bid-ask spread and effective continuous quoting time ratio of the market maker on the market-making contract. The narrower the effective bid-ask spread and the higher the effective continuous quoting time ratio, the higher the quoting incentive amount.

b. Transaction and Position Incentives

For a certain market-making product, the Exchange calculates the transaction and position incentive amount of the market maker based on its transaction and position ratios on the market-making contract compared to all market makers. The transaction volume is weighted by the passive transaction volume and other transaction volumes. Self trades by market makers and transaction volumes generated by other circumstances recognized by the Exchange are not included in the statistics.

2.4.2 Options Market Maker

(1) Reduction on Transaction Fee

If a market maker meets the obligation completion requirements on a certain product, the Exchange may reduce its transaction fees:

- a. Reduction of transaction fees on market-making options products;
- b. Reduction of transaction fees on underlying futures products of market-making options (if the market maker's trading volume on the underlying futures product exceeds that on the market-making options product, the Exchange may adjust or cancel this reduction).

The specific reduction ratio is subject to the market maker agreement and the Exchange notification. Transaction fees for market makers who have not fulfilled their market-making obligations will not be reduced.

(2) Incentives

In addition to reductions on transaction fees, the Exchange may set corresponding incentives for market makers based on their quoting and transaction situations on market-making products. The specific incentive amount is subject to the market maker agreement and the Exchange notification. The calculation rules for various incentives are as follows:

a. Quoting Incentive

For a certain market-making product, the Exchange calculates the quoting incentive amount based on the effective bid-ask spread, effective continuous quoting time ratio, and transaction order ratio of the market maker on the market-making contract.

b. Transaction Incentive

For a certain market-making product, the Exchange calculates the transaction incentive amount of the market maker based on its transaction ratio compared to all market makers on the market-making contract. Transaction volumes are weighted by the passive transaction volume and other transaction volumes, and the out-of-the-money and in-the-money levels of the options contracts where transactions occur are also weighted. Self trades by market makers and transaction volumes generated by other circumstances recognized by the Exchange are not included in the statistics.

The Exchange may dynamically adjust the reduction ratio on transaction fee and various incentive measures for market makers based on their performance of obligations and market operation development. Specific details are subject to the

market maker agreement and the Exchange notification.

Chapter 5 Evaluation and Assessment

1. Evaluation Indicators

The Exchange selects one or more indicators from quoting, transaction, and position aspects based on the characteristics of futures and options market-making business, and assigns different weights to evaluate the market-making quality of futures and options market makers.

The Exchange may dynamically adjust market maker evaluation indicators and weights based on market operation development. Specific details are subject to the market maker agreement and the Exchange notification.

2. Evaluation Results and Application

The evaluation result of a market maker on a certain market-making product is determined based on its performance in various evaluation indicators on that product. If a market maker participates in market-making in multiple products, its comprehensive evaluation result is determined based on its evaluation results in each market-making product. The Exchange may conduct separate evaluations for futures market makers and options market makers.

The Exchange uses market maker evaluation results as one of the comprehensive considerations for the selection, elimination, commendation, and awarding of market makers.

Chapter 6 Compliance and Risk Control

Market makers should establish sound internal control and risk management systems, conduct market-making business in compliance with laws and regulations, and effectively control the risks of market-making business.

1. Internal Control

Market makers should establish strict internal control systems, formulate strict authorization management systems and investment decision-making processes for

market-making business, establish effective division of responsibilities and checks and balances mechanisms, and standardize business operation processes.

2. Risk Management

Market makers should have risk management systems and dynamic risk monitoring systems that meet the requirements, strengthen the identification, monitoring, and control of market risks, model risks, inventory risks, liquidity risks, operational risks, and other business risks.

2.1 Risk Management of Market-making Business Departments

Market-making business departments need to scientifically and reasonably set market-making business risk indicators, and conduct real-time monitoring and early warning of various risk indicators and trader's disoperation risks.

Market makers need to establish a risk reporting mechanism for market-making business. Reports are divided into regular reports and temporary reports. Reports include but are not limited to the situation of various risk indicators, the scale of market-making business, etc. Temporary reports on risk events related to market-making business that occur during the operation of market-making business, including business errors, system operation failures, sudden emergencies, etc., should be submitted to the company in accordance with the requirements of the internal reporting system.

2.2 Company-level Risk Management

Market makers need to establish market-making business risk management systems and processes at the company level, establish mechanisms such as risk limit authorization, risk monitoring, regular stress testing, and risk reporting.

Market makers need to authorize market-making business risks based on business development, financial conditions, and risk control levels.

Market makers engaged in other businesses need to conduct market-making business risk monitoring at the company level. For issues such as exceeding limits, violations, or other issues identified during monitoring, written records should be made, timely actions should be taken, and if necessary, risk warning letters should be issued to the market-making business department for rectification within a time limit and continuous follow-up.

Market makers need to conduct stress tests on market-making business at the company level to measure the potential margin risks and loss risks that the company may suffer under extremely unfavorable market conditions (i.e., stress scenarios), ensuring that risks are measurable, controllable, and sustainable in stress scenarios, to ensure the sustainable operation of the company.

Market makers need to submit relevant reports on market-making business in accordance with the requirements of regulatory authorities and the Exchange.

Chapter 7 Technical Systems

Market makers engaged in market-making business should have stable and reliable market-making trading technology systems. The Exchange can assess, inspect, or require market makers to participate in related tests for their market-making trading technology systems.

1. Basic Requirements for Technical Systems

Market-making trading technology systems should have security, stability, and isolation from other business systems. During the process for setting up such systems, a strict review and testing process should be conducted. During the implementation process, detailed project plans should be formulated, risks and emergency measures during the implementation process should be fully considered, and norms should be established for daily operation management, disaster recovery backup strategies, and emergency response measures after the system goes online.

Market-making trading technology systems should include but are not limited to basic functions such as market data display, permission management, pricing and market-making strategies, transaction management, risk control, fund management, position management, and market-making obligation statistics. Relevant personnel in market-making business should be proficient in system functions and operations.

When significant changes occur in the market-making trading technology system, a written report must be submitted to the Exchange within 3 trading days from the date of the change, and relevant tests and emergency drills as required by the Exchange must be conducted.

Market makers should regularly evaluate and test the performance, capacity, and support for the market-making business rules of the technical system to ensure that

the system meets the needs of the market-making business.

2. Information Technology System

Market makers should establish sound information technology management systems and information system reporting systems. The information technology management system includes but is not limited to the construction goals, design principles, system architecture diagrams, configuration of each functional module, functional descriptions, system construction processes, relevant management systems, etc., of the market-making business technology system, and a list of relevant documents. The information system reporting system includes but is not limited to the reporting system for changes in information technology system development, testing, access, and upgrades.

3. Technical System Operation and Maintenance

Market makers need to strengthen system configuration management and system permission management, clarify relevant processes, and establish sound separation of duties and supervision and restriction mechanisms.

Market makers need to establish disaster backup systems, formulate emergency plans, clarify technical system emergency disposal mechanisms and processes, ensure immediate emergency disposal in corresponding situations, and regularly or irregularly organize operational personnel for emergency drills, retaining drill records.

Market makers should establish a sound technical system operation monitoring mechanism, conduct real-time monitoring and alarm of the operating environment and operating conditions of the technical system, handle alarm records in a timely manner, and retain relevant records. Regular inspections of the market-making system should be conducted, and analysis and review of the inspection results should be conducted. Necessary countermeasures should be taken in a timely manner if problems are found. The technical system should have a function to save business operation logs for verification purposes.

Chapter 8 Supervision

The Exchange conducts supervision of market makers in accordance with the *Market-making Management Rules of Shanghai Futures Exchange* and related business rules.

1. Business Isolation

Market-making business should primarily provide liquidity to the market, and market-making business should be effectively isolated from other businesses of the company. Market makers should establish sound risk prevention and business isolation systems to effectively prevent conflicts of interest between market-making business and other businesses of the company, and should not use market-making business to seek improper benefits.

Market makers should use dedicated market-making trading codes for market-making business, and market-making trading codes should only be used for fulfilling market-making obligations and related transactions, and should not be used for other unrelated transactions. Market-making business funds, team members, technical systems, office premises, etc., should be managed separately from other businesses of the company, effectively isolating them.

2. Daily Supervision

Market makers should have stable technical systems, sound risk management and internal control systems, and effective risk prevention systems to ensure that the risks of market-making business are controllable.

Market makers should report the situation of market-making business in accordance with the requirements of the Exchange, submit data, properly retain relevant transaction and risk control records for inspection.

The Exchange can supervise and inspect market makers' risk management, trading behaviors, system operations, as well as business operations, creditworthiness, etc. Market makers and the futures companies where their market-making business is conducted should cooperate and assist.

Market makers should consistently satisfy the requirements prescribed in the *Market-making Management Rules of Shanghai Futures Exchange*.

3. Enforcement

Any violation of rules on market-making business shall be subject to relevant provisions of the Exchange as stipulated in the *Enforcement Rules of the Shanghai Futures Exchange*, the *Market-making Management Rules of Shanghai Futures Exchange* and other related rules.

