

Detailed Rules of China Financial Futures Exchange for the Exchange of Futures for Physicals on China Government Bond Futures Contracts

Chapter I General Provisions

Article 1 These Detailed Rules are formulated in accordance with the *Trading Rules of China Financial Futures Exchange* and its detailed implementation rules to regulate the exchange of futures for physicals (EFP) on the China government bond (“CGB”) futures contracts listed on China Financial Futures Exchange (the “Exchange”).

Article 2 Matters not covered herein shall be governed by the relevant rules of the Exchange.

Chapter II Participants of an EFP Transaction

Article 3 To enter into an EFP transaction, a non-futures company member or a client shall:

- (1) be a securities company, fund management company, trust company, bank or other financial institution; or a social security fund, Qualified Foreign Institutional Investor (QFII), or any other Special Institutional Client that is required by laws, administrative regulations, or ministry-level rules to manage assets in a separate account;
- (2) be permitted to trade CGB futures contracts on the Exchange;
- (3) have opened a bond account with China Central Depository & Clearing Co., Ltd. or a securities account with China Securities Depository and Clearing Co., Ltd; and
- (4) meet other requirements prescribed by the Exchange.

Article 4 A client who meets the requirements of the Exchange for EFP transactions shall enter into an EFP transaction after registering with the Exchange through its carrying Clearing Member who meets the requirements of the Exchange, directly if it is a financial institution, and indirectly through its administrative body if it is a Special Institutional Client. The following materials shall be provided for the registration:

- (1) registration application;
- (2) the Clearing Member’s statement on providing EFP services to the client or its brokerage contract with the client containing a statement on providing EFP services; and
- (3) other documents or materials required by the Exchange.

The Clearing Member shall review such materials with due diligence to ensure their truthfulness, accuracy, and completeness.

A non-futures-company member shall directly register with the Exchange for EFP trading and submit the materials under items (1) and (3) of Article 4 hereof.

Article 5 The Exchange will, within five trading days upon the receipt of qualified application materials, complete the registration and notify the Clearing Member of the same.

Chapter III EFP Transactions

Article 6 An EFP report shall include information on:

- (1) the mutually agreed date and time of the EFP transaction;
- (2) the parties to the EFP transaction, including the seller and the buyer of the futures contract, and their respective carrying Clearing Members and traders;
- (3) details of the futures leg, including the contract code, execution price, trading direction (buy or sell), and quantity; and
- (4) details of the physical leg, including the trading venue for securities or related contracts, transaction number, name and code of the securities or of the securities underlying the related contracts, transaction date, trading direction (buy or sell), total face value, net execution price of the securities or execution price of the related contracts, and settlement date of the related contracts, among others.

Article 7 Securities and related contracts eligible for EFP transactions on CGB futures include:

- (1) book-entry fixed-coupon CGBs issued by the Ministry of Finance;
- (2) fixed-coupon local government bonds issued by local governments;
- (3) fixed-coupon financial bonds issued by the China Development Bank, Export-Import Bank of China, or Agricultural Development Bank of China;
- (4) bond forwards with the foregoing bonds as the underlying; and
- (5) other securities or related contracts prescribed by the Exchange.

Article 8 Where CGB futures are exchanged for bond forwards in an EFP transaction, the settlement date of such bond forwards shall be no later than the last trading day of the CGB futures contract.

Article 9 An EFP transaction on CGB futures may incorporate one or multiple transactions in securities or related contracts.

Article 10 In an EFP transaction on CGB futures, the futures contract shall be transacted at a price mutually agreed to by the parties, provided that such price shall not exceed the limit up/limit down on the day the EFP transaction is confirmed by the Exchange or unreasonably

deviate from the latest market price of the futures at the time when the mutual agreement was reached.

Article 11 In an EFP transaction on CGB futures, the basis point value of the securities or related contracts shall be equivalent to that of the CGB futures contracts.

An EFP transaction in which CGB futures are exchanged for deliverable CGBs and the face value of the deliverable CGBs is equal to that of the futures contract, may be exempted from the basis point value requirement set forth in the preceding paragraph.

Article 12 Non-corporate clients, such as asset management schemes of securities companies and fund management companies as well as private investment funds registered with the Asset Management Association of China, shall not enter into any EFP transactions directly with each other.

Chapter IV Reporting and Confirmation of EFP Transactions

Article 13 Upon agreement on an EFP transaction, the parties thereto shall timely report the transaction to the Exchange via their carrying Clearing Members. Reporting of EFP transactions shall be initiated, entered into system, and submitted by the seller of the futures contract and then confirmed by the buyer of the futures contract. After examining and reviewing such EFP transaction, their Clearing Members shall submit an EFP report to the Exchange. The EFP report is only valid on the day of submission.

Article 14 With respect to an EFP transaction, the seller shall report and the buyer shall confirm the transaction between 9:30 a.m. and 3:15 p.m. on a trading day for CGB futures contracts.

The Exchange confirms EFP transactions on CGB futures from 9:30 to 11:30 a.m. and from 1:00 to 3:15 p.m. on any trading day of CGB futures.

The seller of the futures contract shall report the EFP no later than 10:30 a.m. on the trading day immediately following the date on which the physical leg was executed. Neither the seller's reporting of the EFP transaction nor the buyer's confirmation thereof is permitted on the last trading day of the futures contract.

The buyer of the futures contract shall confirm the EFP transaction within 60 minutes upon the submission of the report by the seller, which shall be postponed accordingly if such deadline falls outside the Exchange's confirmation hours for EFP transactions.

The time recorded by the Exchange's system shall prevail as to when the report was submitted by the seller and confirmed by the buyer.

Article 15 An EFP transaction shall be reported to the Exchange after being examined and reviewed by the carrying Clearing Members of the transacting parties. The EFP transaction shall be effective upon confirmation by the Exchange which shall then publish information on such EFP transaction to the market.

Chapter V Publication of Information

Article 16 Trading volume, notional trading value and change in the open interest of a futures contract resulting from an EFP transaction shall be published, together with the real-time market data of the futures contract, upon the Exchange's confirmation of the EFP transaction.

Article 17 Information on each EFP transaction, including contract code, date and time of Exchange confirmation, and trading volume, shall be disclosed on the official website of the Exchange.

Chapter VI Ancillary Provisions

Article 18 Any violation of these Detailed Rules shall be handled by the Exchange in accordance with the *Measures of China Financial Futures Exchange on Dealing with Violations and Breaches*.

Article 19 The Exchange reserves the right to interpret these *Detailed Rules*.

Article 20 These *Detailed Rules* shall come into effect on July 20, 2020.