

Guidelines of China Financial Futures Exchange on Using China Government Bonds as Margin

Chapter I General Provisions

Article 1 These Guidelines are formulated in accordance with the *Trading Rules of China Financial Futures Exchange*, the *Detailed Clearing Rules of China Financial Futures Exchange* as well as other applicable rules to regulate the use of China government bonds (“CGB”) as margin by members and clients.

Chapter II Application

Article 2 A futures-company member that intends to conduct CGBs-As-Margin business shall first apply to China Central Depository & Clearing Co., Ltd. (“CCDC”) to open a Dedicated Bonds-As-Margin Account and submit an eligibility application. The specific requirements and procedures shall be governed by the rules of CCDC.

Article 3 A non-futures-company member or a client that intends to use CGBs as margin shall first apply to CCDC to open a Bond Account and submit an eligibility application. The specific requirements and procedures shall be governed by the rules of CCDC.

Article 4 A futures-company member intending to conduct CGBs-As-Margin business shall apply to China Financial Futures Exchange (“Exchange”) and submit the following materials:

- (1) the application form (Appendix 1-1);
- (2) materials certifying the opening of the Dedicated Bonds-As-Margin Account;
- (3) photocopies of the documents used to open the Dedicated Bonds-As-Margin Account;
and
- (4) other materials required by the Exchange.

Article 5 A non-futures-company member intending to use CGBs as margin shall apply to the Exchange and submit the following materials:

- (1) the application form (Appendix 1-1);
- (2) materials certifying the opening of the Bond Account;
- (3) photocopies of the documents used to open the Bond Account; and
- (4) other materials required by the Exchange.

Article 6 A client intending to use CGBs as margin shall apply to the Exchange and submit the following materials through its carrying member:

- (1) the application form (Appendix 1-2);
- (2) materials certifying the opening of the Bond Account;
- (3) photocopies of the documents used to open the Bond Account; and
- (4) other materials required by the Exchange.

Article 7 If a Trading Member intends to conduct CGBs-As-Margin business, its carrying Clearing Member shall have obtained the relevant eligibility.

Chapter III Posting and Withdrawal of CGBs

Article 8 Application for posting and withdrawal

A client intending to post or withdraw CGBs as margin shall submit an application (Appendix 1-3) to the Exchange through its carrying member.

A non-futures-company member intending to post or withdraw CGBs as margin shall submit an application (Appendix 1-3) to the Exchange.

A member shall submit such application to the Exchange before 3:00 p.m. on the same day.

Article 9 Posting process

The Exchange will, in accordance with the member's application, entrust CCDC to register the pledge of the relevant CGBs. CGBs will be posted as margin once CCDC has completed such registration.

For any particular trading day, if a Clearing Member has completed the procedures to post CGBs as margin before market close, the Exchange shall include such CGBs in the Clearing Member's actual available margin paid with securities at settlement on the same day; if it is completed after the market close, the Exchange shall do so on the following trading day.

Article 10 Withdrawal process

Any Clearing Member that intends to withdraw CGBs as margin on a particular trading day shall make up for any shortfall in its trading margin. The Exchange will, at settlement on that day, review the Clearing Member's withdrawal application and, upon its approval, entrust CCDC to register the release of the pledged CGBs, the instruction of which shall be confirmed by the Clearing Member through the Chinabond Integrated Operation Platform. CGBs will be withdrawn once CCDC has completed such registration.

Article 11 The pledge and the release of pledge of CGBs as margin shall be conducted in accordance with the rules of CCDC.

Chapter IV Disposal of CGBs

Section 1 Conditions and Methods of Disposal

Article 12 The Exchange may dispose of the CGBs posted as margin by a Clearing Member if the Clearing Member:

- (1) fails to meet or fully meet its trading margin obligations and related obligations (“outstanding obligations”); or
- (2) is under other circumstances specified by the Exchange.

Article 13 CGBs posted as margin may be disposed of by auction, negotiated sale, or regular sale. The Exchange may determine the method of disposal based on particular circumstances.

Section 2 Disposal by Auction

Article 14 Disposal notice

The Exchange will issue a disposal notice (Appendix 1-4) to any Clearing Member who is under any of the circumstances specified in Article 12 on a particular trading day T.

Article 15 Declaration of CGBs for disposal

A Clearing Member may, before the close of the morning session on trading day T+1, declare to the Exchange the CGBs to be disposed of (Appendix 1-5). The declaration shall specify the relevant trading code as well as the code, name, and face value of the CGBs, among other information. Any loss incurred to a client or member due to Clearing Member’s improper declaration shall be borne by the Clearing Member.

Article 16 Selection of CGBs for disposal

The Exchange will select the CGBs to be disposed of based on the estimated disposal amount, until the amount satisfies the Clearing Member’s outstanding obligations. The estimated disposal amount shall be equal to the Discounted Value of CGBs at settlement on trading day T+1, and may be adjusted by the Exchange in its discretion.

1. Sufficient declared amount

If the estimated disposal amount of the CGBs declared by the Clearing Member is greater than or equal to the Clearing Member’s outstanding obligations, the Exchange will select the CGBs to be disposed of in the order declared by the Clearing Member.

2. Insufficient or no declared amount

If the estimated disposal amount of the CGBs declared by the Clearing Member is smaller than the Clearing Member's outstanding obligations, or if the Clearing Member did not make such declaration within the prescribed time limit, then in addition to the CGBs (if any) declared by the Clearing Member, the Exchange will select, according to the following principles, the CGBs to be disposed of from those that are being used as margin but were not named in the declaration (including those being used as margin by Trading Members carried by the Clearing Member):

- (1) in descending order of the estimated disposal amounts of the CGBs under all trading codes of the Clearing Member; or on a pro rata basis, if the CGBs under multiple trading codes have the same estimated disposal amount; and
- (2) with respect to the CGBs under a particular trading code, in descending order of the estimated disposal amount of each CGB; or, if multiple CGBs have the same estimated disposal amount, in ascending order of their residual maturity; or, if they have the same residual maturity, in the order of their issuance date from the latest to the earliest.

The Exchange may adjust the CGBs to be disposed of in its discretion.

Article 17 Application for auction

The Exchange will submit an application for auction to CCDC on trading day T+1.

Article 18 Announcement of auction

CCDC will, upon accepting the application for auction, announce the auction in accordance with applicable rules.

Article 19 Auction

CCDC will, based on the Exchange's application, organize the auction in accordance with applicable rules.

Article 20 Notification of auction results

CCDC will inform the Exchange of the auction results, upon which the Exchange will forward the same to the Clearing Member.

Article 21 Handling of auction proceeds

CCDC will transfer to the Exchange the proceeds from auction in accordance with applicable rules. The Exchange will process such proceeds as Funds Deposit by the Clearing Member and apply them first toward meeting the Clearing Member's outstanding obligations. Any excess will be processed as Funds Withdrawal after the Exchange issues the Funds Withdrawal or the Clearing Member makes such request.

Article 22 If, due to special circumstances such as a failure-to-sell, and the disposal amount cannot fully cover the Clearing Member's outstanding obligations, the Exchange will restart the auction process.

Section 3 Disposal by Negotiated and Regular Sale

Article 23 If the CGBs used as margin are to be disposed of through negotiated sale, the Exchange and the Clearing Member, upon reaching an agreement on the sale, shall submit a joint application to CCDC. The specific requirements and procedures shall follow the rules of CCDC.

Article 24 If the CGBs used as margin are to be disposed of through regular sale, the Exchange will submit an application to the effect to CCDC. The specific requirements and procedures shall follow the rules of CCDC.

Section 4 Suspension of Disposal

Article 25 The Exchange may suspend the disposal of CGBs if:

- (1) in the case of disposal by auction, the Clearing Member has met its outstanding obligations before the date of the auction; or
- (2) any other circumstance specified by the Exchange.

Section 5 Disposal by Members

Article 26 A General Clearing Member may, by reference to these Guidelines and the applicable rules of CCDC, dispose of the CGBs posted as margin by Trading Members, provided that the relevant CGBs are first withdrawn through the Exchange.

Article 27 A Clearing Member may, by reference to these Guidelines and the applicable rules of CCDC, dispose of the CGBs posted as margin by its clients, provided that the relevant CGBs are first withdrawn through the Exchange. A Trading Member may, by reference to these Guidelines and the applicable rules of CCDC, dispose of the CGBs posted as margin by its clients, provided that the relevant CGBs are first withdrawn through the relevant General Clearing Member.

Chapter V Ancillary Provisions

Article 28 The Exchange reserves the right to interpret these Guidelines.

Article 29 These Guidelines shall come into effect on December 14, 2020.

Appendix 1-1:

CFFEX Application Form for Securities as Margin

(For FUTURES-COMPANY CLEARING MEMBERS Only)

Application Date		Member's Code		Member's Abbreviation	
Member's Securities Account	Depository	China Central Depository & Clearing Co., Ltd.			
	Account Full Name				
	Account Number				
	Document Used to Open Account			Document Number	
Contact 1		Business Tel.		Mobile	
Contact 2		Business Tel.		Mobile	
<p>Clearing Member's Declaration:</p> <ol style="list-style-type: none"> 1. We undertake to abide by the laws, regulations, and rules governing the use of securities as margin; 2. We agree to post at the Exchange as margin the securities we have received from our clients; 3. We agree to post at the Exchange as margin the securities we have received from the clients of our Trading Members; 4. If we fail to meet or fully meet our trading margin obligations and related obligations, we agree that the Exchange may dispose of the securities and use the proceeds toward meeting such obligations. <p style="text-align: center;">Common Seal of the Clearing Member:</p> <p style="text-align: center;">Date:</p>					

CFFEX Application Form for Securities as Margin

(For NON-FUTURES-COMPANY CLEARING MEMBERS Only)

Application Date		Member's Code		Member's Abbreviation	
Client Number		Client Name			
Member's Securities Account	Depository	China Central Depository & Clearing Co., Ltd.			
	Account Full Name				
	Account Number				
	Document Used to Open Account			Document Number	
Contact 1		Business Tel.		Mobile	
Contact 2		Business Tel.		Mobile	
<p>Clearing Member's Declaration:</p> <ol style="list-style-type: none"> 1. We undertake to abide by the laws, regulations, and rules governing the use of securities as margin; 2. We agree to post at the Exchange as margin the securities we have submitted to the Exchange; 3. If we fail to meet or fully meet our trading margin obligations and related obligations, we agree that the Exchange may dispose of the securities and use the proceeds toward meeting such obligations. <p style="text-align: center;">Business Seal of the Processing Department:</p> <p style="text-align: center;">Date:</p>					

CFFEX Application Form for Securities as Margin

(For TRADING MEMBERS Only)

Application Date		Member's Code		Member's Abbreviation	
Member's Securities Account	Depository	China Central Depository & Clearing Co., Ltd.			
	Account Full Name				
	Account Number				
	Document Used to Open Account			Document Number	
Contact 1		Business Tel.		Mobile	
Contact 2		Business Tel.		Mobile	
<p>Trading Member's Declaration:</p> <ol style="list-style-type: none"> 1. We undertake to abide by the laws, regulations, and rules governing the use of securities as margin; 2. We agree to submit to the Clearing Member as margin the securities we have received from our clients. If we fail to meet or fully meet our trading margin obligations and related obligations, we agree that the Clearing Member may dispose of the securities and use the proceeds toward meeting such obligations; 3. We agree that our carrying Clearing Member may post at the Exchange as margin the securities we have received from our clients, and that if the Clearing Member fails to meet or fully meet its trading margin obligations and related obligations, the Exchange may dispose of the securities and use the proceeds toward meeting such obligations. <p style="text-align: right; margin-right: 50px;">Common Seal of the Trading Member:</p> <p style="text-align: right; margin-right: 50px;">Date:</p>					

Appendix 1-2:

CFFEX Application Form for Securities as Margin

(For CLEARING MEMBERS' CLIENTS Only)

Application Date		Member's Code		Member's Abbreviation	
Client Number		Client Name			
Client's Securities Account	Depository	China Central Depository & Clearing Co., Ltd.			
	Account Full Name				
	Account Number				
	Document Used to Open Account			Document Number	
Contact 1		Business Tel.		Mobile	
Contact 2		Business Tel.		Mobile	
<p>Client's Declaration:</p> <ol style="list-style-type: none"> I/We hereby authorize the Clearing Member to handle on my/our behalf the use of securities as margin. I/We undertake to abide by the laws, regulations, and rules governing the use of securities as margin and am/are willing to assume the corresponding liabilities; I/We agree to submit my/our securities to the Clearing Member as margin. If I/we fail to meet or fully meet my/our trading margin obligations and related obligations, I/we agree that the Clearing Member may dispose of the securities and use the proceeds toward meeting such obligations; I/We agree that the Clearing Member may post at the Exchange as margin the securities I/we have submitted to the Clearing Member, and that if the Clearing Member fails to meet or fully meet its trading margin obligations and related obligations, the Exchange may dispose of the securities and use the proceeds toward meeting such obligations. <p style="text-align: right;">Client Signature or Seal:</p> <p style="text-align: right;">Date:</p>					

Clearing Member's Declaration:

We undertake that we will handle the securities to be used as margin in accordance with the intentions of the client, and that we will abide by the laws, regulations, and rules governing the use of securities as margin.

Business Seal of the Clearing Member:

Date:

CFFEX Application Form for Securities as Margin

(For TRADING MEMBERS' CLIENTS Only)

Application Date		Member's Code		Member's Abbreviation	
Client Number		Client Name			
Client's Securities Account	Depository	China Central Depository & Clearing Co., Ltd.			
	Account Full Name				
	Account Number				
	Document Used to Open Account		Document Number		
Contact 1		Business Tel.		Mobile	
Contact 2		Business Tel.		Mobile	
<p>Client's Declaration:</p> <ol style="list-style-type: none"> 1. I/We hereby authorize the Trading Member to handle on my/our behalf the use of securities as margin. I/We undertake to abide by the laws, regulations, and rules governing the use of securities as margin and am/are willing to assume the corresponding liabilities 2. I/We agree to submit my/our securities to the Trading Member as margin. If I/we fail to meet or fully meet my/our trading margin obligations and related obligations, I/we agree that the Trading Member may dispose of the securities and use the proceeds toward meeting such obligations; 3. I/We agree that the Trading Member may submit to its carrying Clearing Member the securities as margin I/we have submitted to the Trading Member, and that if the Trading Member fails to meet or fully meet its trading margin obligations and related obligations, the Clearing Member may dispose of the securities and use the proceeds toward meeting such obligations; 4. I/We agree that the Trading Member's carrying Clearing Member may post at the Exchange as margin the securities I/we have submitted to the Trading Member, and that if the Clearing Member fails to meet or fully meet its trading margin obligations and related obligations, the Exchange may dispose of the securities and use the proceeds toward meeting such obligations. <p style="text-align: right; margin-right: 100px;">Client Signature or Seal:</p> <p style="text-align: right; margin-right: 100px;">Date:</p>					

Trading Member's Declaration:

We undertake that we will handle the securities to be used as margin in accordance with the intentions of the client, and that we will abide by the laws, regulations, and rules governing the use of securities as margin.

Business Seal of the Trading Member:

Date:

Appendix 1-3:

CFFEX Application Form for the Posting/Withdrawal of China Government Bonds as Margin

Application Date	[YYYY/MM/DD]	(Note: The date when the member pledges or releases from pledge the China government bonds)	
Clearing Member's Code		Clearing Member's Abbreviation	
Clearing Member's Contact Person		Business Tel.	
Trading Member's Code(if applicable)		Trading Member's Abbreviation (if applicable)	
Client Trading Code	(Note:12-digit trading code)		
Client Name	(Note: Not required for Trading Members' clients)		
Posting			
CGB Short Name	Bond Code	Face Value (in ¥10,000)	
Withdrawal			
CGB Short Name	Bond Code	Face Value (in ¥10,000)	
Business Seal of the Clearing Member:			
Date:			
For CFFEX only:			
Processed by:		Reviewed by:	
		Date:	

Appendix 1-4:

Notice on the Disposal of China Government Bonds as Margin

To _____:
(Clearing Member)

Please be advised that, as of the completion of clearing on [YYYY/MM/DD], you have an outstanding trading margin obligation and related obligation of RMB [amount]. Pursuant to the rules of China Financial Futures Exchange, you are required to deposit additional funds to solve the shortfall before market open on the next trading day.

If you fail to deposit sufficient funds to meet these obligations by the specified time, China Financial Futures Exchange will dispose of the China government bonds you have posted as margin in accordance with its rules.

China Financial Futures Exchange

Date:

Appendix 1-5:

CFFEX Application Form for the Disposal of China Government Bonds as Margin

(For FUTURES-COMPANY CLEARING MEMBERS Only)

To China Financial Futures Exchange:

We hereby apply for your disposal of the following China government bonds.

Applicant Information		Member's Code				
		Member Name				
List of China Government Bonds as Margin for Disposal	No.	Name of China Government Bond	Code of China Government Bond	Face Value (in ¥10,000)	Trading Code	Bondholder's Bond Account Number
	1					
	2					
	3					
	4					
	5					
	6					
	7					
	8					
Applicant's Contact Information and Signature/Seal						
Contact Person 1		Telephone		Mobile Phone		
Contact Person 2		Telephone		Mobile Phone		
<p>We warrant that we have understood and complied with relevant laws and regulations, market rules, and business operating guidelines governing the use of securities as margin. We warrant that the information above is true, accurate, and valid. We bear all liabilities and losses to the applicant, the respondent or third persons arising from any false, inaccurate, or invalid information, statement, or warranty we have provided. The Exchange will not bear any such liabilities and losses.</p> <p align="right">Common Seal of the Clearing Member:</p> <p align="right">Date:</p>						

CFFEX Application Form for the Disposal of China Government Bonds as Margin

(For NON-FUTURES-COMPANY CLEARING MEMBERS Only)

To China Financial Futures Exchange:

We hereby apply for your disposal of the following government bonds.

Applicant Information		Member's Code				
		Member Name				
List of China Government Bonds as Margin for Disposal	No.	Name of China Government Bond	Code of China Government Bond	Face Value (in ¥10,000)	Trading Code	Bondholder's Bond Account Number
	1					
	2					
	3					
	4					
	5					
	6					
	7					
	8					
Applicant's Contact Information and Signature/Seal						
Contact Person 1		Telephone		Mobile Phone		
Contact Person 2		Telephone		Mobile Phone		
<p>We warrant that we have understood and complied with relevant laws and regulations, market rules, and business operating guidelines governing the use of securities as margin. We warrant that the information above is true, accurate, and valid. We bear all liabilities and losses to the applicant, the respondent or third persons arising from any false, inaccurate, or invalid information, statement, or warranty we have provided. The Exchange will not bear any such liabilities and losses.</p> <p style="text-align: right; margin-right: 100px;">Business Seal of the Processing Department:</p> <p style="text-align: right; margin-right: 100px;">Date:</p>						