Futures and Derivatives Law of the People's Republic of China

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Chapter I — General Provisions

Article 1 — This Law is enacted for the purpose of regulating futures trading and over-the-counter derivatives trading, safeguarding the lawful rights and interests of all market participants, preventing and resolving financial risks, and promoting the healthy and stable development of the futures market and derivatives

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market.

Article 2 — This Law shall apply to futures trading, over-the-counter derivatives trading, and their related activities conducted within the territory of the People's Republic of China. Futures trading as used in this Law refers to trading conducted on the premises of a futures exchange through centralized matching, with standardized futures contracts as the subject matter and settlement made through a clearing institution. Over-the-counter derivatives trading as used in this Law refers to derivatives trading conducted outside the premises of a futures exchange through non-centralized matching.

Article 3 — The State shall encourage the futures market and derivatives market to serve the real economy and promote economic development.

Article 4 — The State shall establish and improve the futures market supervision and administration system, strengthen the prevention and resolution of risks in the futures market, and maintain the order of the futures market.

Article 5 — The securities regulatory authority of the State Council shall exercise centralized and unified supervision and administration of the futures market in accordance with the law. Other relevant departments of the State Council shall perform their respective supervisory and administrative duties in accordance with the law.

Article 6 — Futures trading shall be conducted in accordance with law, and any organization or individual shall not manipulate the futures market, conduct insider trading, or engage in fraud in futures trading.

Article 7 — The futures industry association shall exercise self-regulatory management of the futures industry in accordance with the law.

Article 8 — Futures exchanges, futures companies, futures clearing institutions, futures service institutions and their employees shall comply with laws, administrative regulations, and the relevant provisions, observe professional ethics, and safeguard the lawful rights and interests of investors.

Chapter II — Futures Trading

Section 1: General Provisions

Article 9 — Futures trading shall be conducted on futures exchanges established in accordance with the law, or on other futures trading venues approved by the securities regulatory authority of the State Council. Futures trading shall not be conducted outside futures trading venues approved in accordance with the law.

Article 10 — Futures contracts shall be designed by futures exchanges and submitted to the securities regulatory authority of the State Council for approval or recordation.

Article 11 — Participants in futures trading shall open accounts and conduct trading in compliance with the law. Futures trading participants shall trade in their own names, and shall not lend or otherwise transfer their trading accounts to others.

Article 12 — Futures trading shall follow the principles of openness, fairness and impartiality. All market participants shall have equal legal status and shall abide by the principles of good faith in futures trading.

Article 13 — Futures trading shall adopt the method of competitive trading through centralized matching, and the prices formed shall reflect the true supply and demand conditions of the market.

Article 14 — The securities regulatory authority of the State Council shall approve the listing, suspension, delisting, modification or termination of futures contract varieties. The securities regulatory authority of the State Council shall approve the listing of futures contract varieties in accordance with the needs of economic and social development and market conditions.

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Article 15 — Futures exchanges shall establish and improve risk management systems and implement measures such as margin requirements, price limits, position limits, large position reporting, and forced liquidation.

Article 16 — Futures trading shall implement a margin system. Futures traders shall pay margins in accordance with the provisions of futures exchanges, and margins shall be deposited in designated accounts of futures clearing institutions.

Section 2: Prohibited Conduct

Article 17 — No organization or individual shall manipulate the futures market by the following means: (1) conducting related transactions alone or in collusion, manipulating futures trading prices or futures trading volumes; (2) conspiring with others to conduct futures trading at a predetermined time, price and method, affecting futures trading prices or futures trading volumes; (3) buying and selling futures contracts between accounts actually controlled by the same person, affecting futures trading prices or futures trading volumes; (4) frequently placing or cancelling large orders without genuine trading intent, affecting futures trading prices or futures trading volumes; (5) taking advantage of a dominant position in the spot market to manipulate the futures market; (6) other means of manipulating the futures market.

Article 18 — Persons with knowledge of insider information on futures trading shall not use such insider information to engage in futures trading, or divulge such information, or advise others to engage in futures trading. Insider information refers to non-public information that may have a significant impact on futures trading prices in the course of futures trading activities. Insider information holders include: (1) personnel of futures exchanges, futures clearing institutions, futures companies, futures service institutions, and other futures market institutions; (2) personnel of relevant government departments and industry self-regulatory organizations; (3) other persons who have access to insider information by virtue of their position, business relationship, or other means.

Article 19 — No organization or individual shall engage in fraud in futures trading, including: (1) fabricating or disseminating false or misleading information about futures trading, disrupting the futures market; (2) making false statements or concealing important facts in futures trading activities; (3) misappropriating clients' funds; (4) other fraudulent conduct.

Section 3: Futures Investor Protection

Article 20 — Futures companies shall, in accordance with the law, understand the basic information of clients, their financial status, investment experience, risk preferences and other relevant information, assess and classify clients, and recommend appropriate futures products or services to clients.

Article 21 — Futures companies shall disclose to clients the risks of futures trading truthfully, accurately and completely, and shall not make false or misleading statements.

Article 22 — Futures companies shall establish a sound client margin management system, and shall not misappropriate clients' margins.

Article 23 — The State shall establish a futures investor protection fund. The specific measures shall be formulated by the securities regulatory authority of the State Council in conjunction with the finance department of the State Council.

Chapter III — Futures Clearing

Article 24 — Futures clearing shall be uniformly conducted by futures clearing institutions. Futures clearing institutions shall be established with the approval of the securities regulatory authority of the State Council.

Article 25 — Futures clearing institutions shall perform the following functions: (1) organizing futures clearing and delivery; (2) managing margins; (3) assuming the responsibility of a central counterparty; (4) managing

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clearing risks; and (5) other functions prescribed by the securities regulatory authority of the State Council.

Article 26 — Futures clearing institutions shall establish and improve risk management systems, including margin requirements, risk reserves, default handling, and settlement guarantee funds.

Article 27 — Futures clearing institutions, as central counterparties, shall be the buyer to all sellers and the seller to all buyers in futures trading. Futures clearing institutions shall bear the settlement responsibility for the performance of futures trading.

Article 28 — Futures clearing institutions may implement a hierarchical clearing system. Futures clearing members shall bear clearing responsibilities for clients who trade through them.

Article 29 — Futures clearing institutions shall set up a risk reserve fund to cover major risk events in the futures market. The risk reserve fund shall be drawn from business revenue at a prescribed ratio.

Article 30 — Futures clearing institutions shall establish a settlement guarantee fund system. Clearing members shall pay settlement guarantee funds to futures clearing institutions at prescribed ratios.

Article 31 — Where a clearing member defaults, the futures clearing institution may take the following measures in the following order: (1) dispose of the clearing member's margin; (2) use the clearing member's settlement guarantee fund; (3) use the futures clearing institution's risk reserve fund; (4) use the futures clearing institution's own funds; and (5) call on other clearing members to share the loss in proportion.

Article 32 — Futures clearing institutions shall establish a default handling mechanism and promptly handle defaults of clearing members to prevent the spread of risk.

Chapter IV — Futures Exchanges

Article 33 — Futures exchanges shall be established with the approval of the securities regulatory authority of the State Council. Futures exchanges shall be self-regulatory legal persons that provide venues, facilities and services for centralized futures trading, and exercise self-regulatory management.

Article 34 — Futures exchanges shall establish articles of association, which shall specify matters such as the name, domicile, business scope, organizational structure, rights and obligations of members, and asset management.

Article 35 — Futures exchanges shall establish rules and regulations governing trading, clearing, delivery, membership management, risk management, and information management.

Article 36 — Futures exchanges shall ensure the fair pricing of futures trading, promptly publish market information such as quotes and trading volumes, and publish information truthfully, accurately and completely.

Article 37 — Where abnormal trading conditions occur in the futures market, the futures exchange may, in accordance with its rules and regulations, take emergency measures such as adjusting the price limits, increasing margins, and restricting opening of positions or forced liquidation, and shall promptly report to the securities regulatory authority of the State Council.

Article 38 — Futures exchanges shall supervise and administer futures trading, and take measures against violations of trading rules.

Article 39 — Futures exchanges shall establish risk management systems and implement real-time monitoring of futures market risks.

Article 40 — Futures exchanges shall extract risk reserve funds from their fee income. The specific ratio and management measures for risk reserve funds shall be prescribed by the securities regulatory authority of the State Council in conjunction with the finance department of the State Council.

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Chapter V — Futures Companies

Article 41 — The establishment of a futures company shall be subject to the approval of the securities regulatory authority of the State Council. Futures companies shall not engage in futures trading in violation of regulations, and shall not engage in other businesses unrelated to futures business without approval.

Article 42 — Futures companies shall have registered capital commensurate with their business scale and risk management capabilities, and the minimum registered capital shall be prescribed by the securities regulatory authority of the State Council.

Article 43 — Futures companies shall establish a sound internal control system and effectively prevent and control risks in the course of business operations.

Article 44 — The directors, supervisors and senior management of futures companies shall be qualified for their positions and shall be subject to recordation with the futures industry association.

Article 45 — Futures companies shall, in accordance with the law, open special accounts for clients' margins, separate from their own funds, and shall not misappropriate clients' margins.

Article 46 — Futures companies shall not accept margin payments from clients in violation of the provisions, and shall not permit clients to open positions in excess of prescribed limits.

Article 47 — Futures companies shall not provide financing or guarantee for clients, or provide convenience for others to use futures trading for illegal activities.

Article 48 — Futures companies shall truthfully provide clients with market information, risk disclosure and statements of accounts, and shall not induce clients to engage in excessive speculative trading.

Article 49 — Futures companies shall establish a sound compliance management system and have compliance officers to ensure compliance with laws, regulations and the articles of association.

Chapter VI — Futures Market Supervisory Administration

Article 50 — The securities regulatory authority of the State Council shall exercise the following supervisory and administrative functions over the futures market: (1) formulating rules and regulations on the supervision and administration of the futures market, and exercising the power of examination and approval or recordation in accordance with the law; (2) supervising and administering the listing, trading, clearing and delivery of futures contract varieties; (3) supervising and administering futures exchanges, futures clearing institutions, futures companies, and other futures market participants; (4) investigating and dealing with illegal activities in futures trading; and (5) other functions prescribed by laws and administrative regulations.

Article 51 — The securities regulatory authority of the State Council shall establish a futures market risk monitoring system and effectively prevent and resolve risks in the futures market.

Article 52 — The securities regulatory authority of the State Council may, in the performance of its duties, take the following measures: (1) conduct on-site inspections of futures market participants; (2) require relevant entities or individuals to provide explanations on relevant matters; (3) access and copy documents and materials such as account books and records; (4) inquire into the bank accounts of relevant entities or individuals; and (5) seal up or freeze property involved in illegal activities.

Article 53 — Where abnormal fluctuations occur in the futures market that may cause systemic risks, the securities regulatory authority of the State Council may take necessary risk-handling measures.

Chapter VII — OTC Derivatives

Article 54 — Over-the-counter derivatives trading shall comply with laws and administrative regulations and the relevant provisions of the State, and shall not harm the public interest.

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Article 55 — Participants in over-the-counter derivatives trading shall be qualified market participants. Financial institutions and other institutions that engage in over-the-counter derivatives trading shall have corresponding risk management capabilities.

Article 56 — The master agreement, supplementary agreement and transaction confirmation for over-the-counter derivatives trading shall be legally binding, and the parties shall enjoy rights and assume obligations in accordance with their agreements.

Article 57 — The single agreement concept and early termination netting mechanism for over-the-counter derivatives trading shall be protected by law.

Article 58 — The securities regulatory authority of the State Council shall, in conjunction with other relevant departments, formulate regulatory rules for over-the-counter derivatives trading.

Article 59 — Over-the-counter derivatives trading institutions shall report trading information to the relevant regulatory authorities in accordance with the provisions.

Article 60 — Over-the-counter derivatives trading institutions shall establish a sound risk management system and strictly control trading risks.

Chapter VIII — Legal Liability

Article 61 — Where futures trading or over-the-counter derivatives trading is conducted without approval, the securities regulatory authority of the State Council shall order it to cease and impose a fine of not more than five times the illegal gains; where there are no illegal gains or the illegal gains are less than 500,000 yuan, a fine of not less than 500,000 yuan but not more than five million yuan shall be imposed.

Article 62 — Where a futures exchange, futures clearing institution or futures company violates the provisions of this Law, the securities regulatory authority of the State Council shall order it to make corrections and impose a fine. The directly responsible supervisors and other directly responsible personnel shall be given a warning and fined.

Article 63 — Where insider trading is conducted, the order shall be given to dispose of illegally held futures contracts in accordance with the law, the illegal gains shall be confiscated, and a fine of not more than five times the illegal gains shall be imposed; where there are no illegal gains or the illegal gains are less than 500,000 yuan, a fine of not less than 500,000 yuan but not more than five million yuan shall be imposed.

Article 64 — Where the futures market is manipulated, the order shall be given to dispose of illegally held futures contracts in accordance with the law, the illegal gains shall be confiscated, and a fine of not more than five times the illegal gains shall be imposed; where there are no illegal gains or the illegal gains are less than one million yuan, a fine of not less than one million yuan but not more than ten million yuan shall be imposed.

Article 65 — Where fraud is committed in futures trading, the securities regulatory authority of the State Council shall order corrections and impose a fine of not more than five times the illegal gains.

Article 66 — Where a futures company misappropriates clients' margins, the securities regulatory authority of the State Council shall order corrections and impose a fine of not more than five times the illegal gains; where serious circumstances exist, the order shall be given to suspend business for rectification or the business license shall be revoked.

Article 67 — Where a futures company accepts margin payments from clients in violation of provisions, or permits clients to open positions in excess of prescribed limits, the securities regulatory authority of the State Council shall order corrections and impose a fine.

Article 68 — Where a futures service institution fails to perform its duties diligently, and the documents prepared or issued by it contain false statements, misleading statements or material omissions, the

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securities regulatory authority of the State Council shall order corrections and impose a fine.

Article 69 — Where a violation of this Law constitutes a crime, criminal liability shall be pursued in accordance with the law.

Article 70 — Where a violation of this Law causes losses to others, civil compensation liability shall be borne in accordance with the law. Where the property is insufficient to cover both civil compensation and payment of fines or confiscation of illegal gains, civil compensation shall take priority.

Chapter IX — Supplementary Provisions

Article 71 — The securities regulatory authority of the State Council may formulate specific administrative measures for the supervision and administration of futures trading in accordance with this Law.

Article 72 — This Law shall not apply to the trading of foreign exchange derivatives conducted by financial institutions approved by the People's Bank of China.

Article 73 — Futures trading conducted by foreign institutions within the territory of China, and futures trading conducted by domestic institutions outside the territory of China, shall be subject to the approval of the securities regulatory authority of the State Council in conjunction with other relevant departments.

Article 74 — Matters not covered by this Law concerning the administration of futures companies shall be governed by the relevant provisions of the Company Law of the People's Republic of China.

Article 75 — Where the provisions of international treaties or agreements concluded or acceded to by the People's Republic of China differ from the provisions of this Law, the provisions of the international treaties or agreements shall apply, except for those provisions on which the People's Republic of China has declared reservations.

Article 76 — This Law shall not apply to the trading places and trading activities of special commodities approved by the State Council.

Article 77 — The securities regulatory authority of the State Council shall formulate supporting administrative rules in accordance with this Law.

Article 78 — This Law shall come into force on August 1, 2022.

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