Measures on the Administration of Securities Registration and Settlement of the PRC

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Chapter I — General Provisions

Article 1 — These Measures are formulated in accordance with the Securities Law of the People's Republic of China and other relevant laws and regulations for the purpose of regulating securities registration and settlement activities, protecting the lawful rights and interests of investors, maintaining the order of the securities market, and preventing the risks of securities registration and settlement.

Article 2 — These Measures shall apply to securities registration and settlement activities within the territory of China. For the purpose of these Measures, "securities registration and settlement activities" include securities registration, securities custody, securities and fund settlement, and other services related to securities registration and settlement.

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Article 3 — The securities registration and settlement institution is a non-profit legal person established with the approval of the securities regulatory authority under the State Council and provides centralized registration, custody, and settlement services for securities trading.

The establishment and dissolution of a securities registration and settlement institution shall be subject to the approval of the securities regulatory authority under the State Council.

Article 4 — The securities registration and settlement institution shall perform the following functions:

(1) Establishment and management of securities accounts and settlement accounts;

(2) Registration and transfer registration of securities holders, and registration of securities rights;

(3) Custody and transfer of securities;

(4) Settlement and delivery of securities and funds, and management of settlement risk funds;

(5) Distribution of securities rights and interests in accordance with the entrustment of the issuer;

(6) Inquiry and information services related to securities registration and settlement;

(7) Other businesses approved by the securities regulatory authority under the State Council.

Article 5 — The securities regulatory authority under the State Council shall supervise and administer the securities registration and settlement institution and its business activities in accordance with the law.

Chapter II — Securities Registration and Custody

Article 6 — Securities registration shall be conducted through the centralized registration system. The securities registration and settlement institution shall establish and maintain the register of securities holders based on the securities accounts of the securities holders.

Article 7 — The securities issued and traded on the stock exchange shall be centrally registered with the securities registration and settlement institution. The securities registration and settlement institution shall issue certificates of securities registration to the securities issuers.

Article 8 — Securities shall be registered in the securities accounts of the securities holders. The records in the register of securities holders maintained by the securities registration and settlement institution shall be the proof of the securities held by the securities holders, unless there is contrary evidence.

Article 9 — The securities registration and settlement institution shall adopt measures to ensure the accuracy, completeness, and security of the register of securities holders and shall properly preserve the original vouchers and relevant documents and materials of the register of securities holders.

Article 10 — An investor applying for the opening of a securities account shall submit the account opening application and identity documents to the securities registration and settlement institution through an account opening agent. The investor shall be responsible for the truthfulness, accuracy, and completeness of the information submitted in the account opening application.

Article 11 — The securities registration and settlement institution shall not disclose any information relating to the opening of securities accounts or the securities holdings and changes of securities holders, unless otherwise provided for by laws or administrative regulations.

Article 12 — The securities registration and settlement institution shall provide securities holders with the registration and transfer registration services for securities rights such as pledges, freezes, and transfers, based on the effective legal documents or the valid supporting documents.

Chapter III — Securities Settlement

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Article 13 — The settlement of securities and funds shall be conducted through the netting settlement method, unless otherwise provided for by the securities regulatory authority under the State Council. In the netting settlement, the securities registration and settlement institution shall act as the central counterparty for the settlement of securities transactions and settle the securities and funds with the settlement participants.

Article 14 — The securities registration and settlement institution shall formulate the settlement participation management rules in accordance with the provisions of the securities regulatory authority under the State Council, specifying the conditions for becoming a settlement participant, the rights and obligations of settlement participants, and their withdrawal procedures.

Article 15 — The securities registration and settlement institution shall establish a delivery-versus-payment system for securities and funds settlement to ensure the security and efficiency of settlement.

Article 16 — The securities registration and settlement institution shall establish a settlement risk fund to cover losses caused by technical failures, operational errors, force majeure, or other reasons in the securities registration and settlement system, and to guarantee the normal operation of the securities registration and settlement system.

Article 17 — The securities registration and settlement institution shall require the settlement participants to deposit the settlement security deposit and to comply with the provisions on the settlement reserve funds to ensure the timely fulfillment of settlement obligations.

Article 18 — Where a settlement participant fails to perform its settlement obligations, the securities registration and settlement institution may take the following measures until the securities registration and settlement institution has fully settled the settlement obligations with such settlement participant in accordance with the business rules:

(1) Disposing the settlement security deposit and the settlement reserve funds deposited by such settlement participant;

(2) Disposing the securities and funds that the settlement participant has already delivered to the securities registration and settlement institution but for which the corresponding securities and funds have not yet been delivered;

(3) Disposing the securities and funds purchased using the securities settlement reserve funds provided by the securities registration and settlement institution; and

(4) Other measures specified in the business rules of the securities registration and settlement institution.

Chapter IV — Risk Management

Article 19 — The securities registration and settlement institution shall establish a comprehensive risk management system, including the settlement risk fund, the settlement security deposit system, the price fluctuation risk management system, and the counterparty risk management system, to prevent and mitigate risks in securities registration and settlement activities.

Article 20 — The securities registration and settlement institution shall establish separate accounts for its own funds and the settlement risk fund to ensure the independent management and special-use nature of the settlement risk fund.

Article 21 — The securities registration and settlement institution shall establish a technical system with the necessary data backup and disaster recovery measures to ensure the security and stable operation of the securities registration and settlement system.

Article 22 — The securities registration and settlement institution shall formulate emergency response plans for handling emergencies and shall report to the securities regulatory authority under the State Council in a

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timely manner in the event of a major emergency.

Article 23 — The business rules formulated by the securities registration and settlement institution shall be submitted to the securities regulatory authority under the State Council for approval.

Chapter V — Legal Liability

Article 24 — Where the securities registration and settlement institution violates the provisions of these Measures by committing any of the following acts, the securities regulatory authority under the State Council shall order it to make corrections and impose a warning and a fine. The directly responsible persons in charge and other directly responsible persons shall be given a warning and a fine:

(1) Failing to establish and maintain the register of securities holders as required;

(2) Disclosing information on the securities accounts and securities holdings of investors without authorization;

(3) Failing to set aside and manage the settlement risk fund as required;

(4) Failing to establish a comprehensive risk management system as required;

(5) Other acts in violation of these Measures or other laws, regulations, and rules.

Article 25 — Where a settlement participant violates the settlement participation management rules or fails to perform its settlement obligations, the securities registration and settlement institution may, in accordance with the business rules, take measures such as restricting the types of its settlement business, suspending its settlement participation qualification, and pursuing liquidated damages.

Article 26 — Where a settlement participant causes losses to the securities registration and settlement institution or other settlement participants due to its failure to perform settlement obligations, it shall bear the compensation liability in accordance with the law.

Chapter VI — Supplementary Provisions

Article 27 — These Measures shall apply to the securities registration and settlement activities for the trading of securities on stock exchanges and other trading venues approved by the State Council. The specific measures for the securities registration and settlement of securities not listed and traded on stock exchanges shall be separately formulated by the securities regulatory authority under the State Council.

Article 28 — These Measures shall take effect on July 1, 2006. The relevant provisions previously formulated by the securities regulatory authority under the State Council that are inconsistent with these Measures shall be superseded by these Measures.

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