Interim Measures for the Administration of Securities Exchange Risk Funds

Dan Young Business Consultancy — www.danyoungcpa.com

Unofficial English translation prepared for reference only. The official Chinese text prevails.

Approved by the State Council on January 31, 2000; promulgated by the China Securities Regulatory Commission and the Ministry of Finance on April 4, 2000; amended in accordance with the Decision of the State Council on Repealing and Amending Certain Administrative Regulations on January 8, 2011.

Article 1 — These Measures are formulated in accordance with the relevant provisions of the Securities Law of the People's Republic of China for the purpose of ensuring the safe operation of the securities trading system and properly managing and using the risk funds of securities exchanges.

Article 2 — "Risk funds of securities exchanges" (hereinafter referred to as "the Funds") as mentioned in these Measures means the special funds established to make up for major economic losses of securities exchanges, prevent major risk incidents related to the business activities of securities exchanges, and ensure the normal conduct of securities trading activities.

Article 3 — The Funds shall come from the following sources:

(1) 20% of the transaction handling fees collected by securities exchanges shall be drawn as risk funds and separately accounted for;

(2) 10% of the annual seat fees collected by securities exchanges shall be drawn as risk funds and separately accounted for;

(3) 10% of the membership fees collected by securities exchanges shall be drawn at one time as risk funds and separately accounted for;

(4) 15% of the book balance of the interest-rate differential of the funds frozen for subscription to new shares as of the date of implementation of these Measures shall be drawn at one time;

(5) income from fines and penalty interest imposed on members in violation of rules.

Article 4 — Where, at the end of each fiscal year, the net assets of the Funds reach or exceed RMB 1 billion, no funds shall be drawn in the following year in accordance with Items (1) and (2) of Article 3 of these Measures.

Article 5 — Where, at the end of each fiscal year, the net assets of the Funds are less than RMB 1 billion, funds shall continue to be drawn in the following year in accordance with Items (1) and (2) of Article 3 of these Measures.

Article 6 — The China Securities Regulatory Commission (hereinafter referred to as the "CSRC"), together with the Ministry of Finance, may appropriately adjust the scale of the Funds and the manner and proportion of drawing and paying funds according to market risk conditions.

Article 7 — The Funds shall be managed by the council of the securities exchange. The council shall designate an institution to be responsible for the daily management and use of the Funds.

Article 8 — The Funds shall be deposited in full with state-owned commercial banks through special accounts, and all deposit interest shall be transferred to the special accounts of the Funds.

Article 9 — The assets of the Funds shall be accounted for separately from the assets of the securities exchange. Sub-ledger accounts shall be set up under the Funds to separately record the assets of the Funds formed under the various items of Article 3 of these Measures, the interest income, and the corresponding

Source: https://www.danyoungcpa.com/interim-measures-administration-securities-exchange-risk-funds-china/

use of the principal and interest of the assets.

Article 10 — The minimum payment limit of the Funds shall be RMB 20 million. When a securities exchange uses the Funds, it must report to the CSRC for approval after consultation with the Ministry of Finance.

Article 11 — The funds drawn in accordance with Item (4) of Article 3 of these Measures may only be used after the funds under the other items of that Article have been paid.

Article 12 — Securities exchanges shall, in accordance with the provisions of relevant laws and regulations, establish and improve their business rules, internal management systems and member supervision systems so as to avoid the occurrence of risk incidents to the greatest extent possible.

Article 13 — After using the Funds, a securities exchange shall seek recovery from the relevant responsible parties, and the recovered amounts shall be transferred to the Funds; at the same time, it shall promptly revise and improve its business rules, internal management systems and member supervision systems.

Article 14 — Where, with the approval of the CSRC, the Funds are correspondingly changed or liquidated, the CSRC, together with the Ministry of Finance, shall separately decide the proportion and amount of the remaining assets of the Funds to be turned over to the state treasury and to be returned to the relevant contributors.

Article 15 — The financial accounting and management measures for the Funds shall be formulated by the Ministry of Finance.

Article 16 — These Measures shall be interpreted by the CSRC.

Article 17 — These Measures shall take effect on the date of promulgation.

Disclaimer: This translation is provided for reference and informational purposes only. In the event of any discrepancy, the official Chinese text issued by the State Council of the People's Republic of China shall prevail. This translation does not constitute legal advice.