Clearing Guidelines for the Members of INE

（August 2019）

In accordance with the People’s Bank of China Announcement No.19 of 2015, the Notice on the Issues Relating to Foreign Exchange Administration on Overseas Traders’ and Overseas Brokers’ Engagement in the Trading of Specified Domestic Futures Products [2015]No.35 promulgated by State Administration of Foreign Exchange, Trading Rules of the Shanghai International Energy Exchange, Clearing Rules of the Shanghai International Energy Exchange, Membership Management Rules of the Shanghai International Energy Exchange, Overseas Special Participants Management Rules of the Shanghai International Energy Exchange and relevant regulations and rules , these Guidelines are hereby formulated to further define the requirements under the rules of Shanghai International Energy Exchange (“INE”) and help the Members carry out the operations of the Exchange smoothly.

The Member mentioned herein refer to a for-profit legal person or an unincorporated organization which is registered in the Chinese Mainland and approved by the Exchange to engage in futures trading activities at the Exchange pursuant to relevant laws, regulations and other provisions in relation to futures trading activities in the People’s Republic of China.

**I. Dedicated Fund Accounts Management**

1. The Members shall, according to actual business needs, open RMB or FX dedicated fund accounts at the designated branches of designated depository banks at the place where the Exchange is located with the Special Letter of Advice on Designated Depository Bank Account Management issued by the INE.

2. The domestic clients of a Member shall open RMB dedicated futures settlement accounts at the designated depository banks of the INE.

3. Overseas clients of the Members, OSPs who entrust the Members to conduct clearing and Overseas Intermediaries who authorize the Members to carry out trading and clearing shall open dedicated funds accounts in relevant currencies at the designated depository banks of the INE with the carrying brokerage agreement or futures brokerage contract concluded and signed with the Members as well as the account-opening materials required by the designated depository banks (See Attachment 1 hereof for the Account Type Schedule).

4. The Members shall provide their overseas clients, OSPs and Overseas Intermediaries with guidance on how to open dedicated futures settlement accounts.

5. A Member shall open dedicated fund accounts at more than two (inclusive) designated depository banks.

**II. Management of Fund Deposits/Withdrawals**

1. The overseas clients of the Members, OSPs and Overseas Intermediaries who entrust the Members to conduct clearing shall operate their FX Deposits/Withdrawals through the Bank-Futures Fund Transfer System.

2. The Members shall apply for the FX Deposits/Withdrawals through the Deposits/Withdrawals menu of Member Service System.

3. No fund withdrawal can be transferred during the trading sessions.

**III. Settlement and Purchase of Foreign Exchange Management**

1. Settlement and purchase of foreign exchange are applicable only to the dedicated margin accounts opened by the Members at the designated depository banks. No settlement and purchase of foreign exchange can be made through the dedicated futures settlement accounts opened by overseas clients, OSPs and Overseas Intermediaries.

2. Settlement and purchase of foreign exchange shall be based on the daily day-end balancing, and conducted as per the funds relating to the trading of specified domestic futures products, such as the profit or loss of the futures trading, paid handling charges, delivery funds and clearing monetary fund gap.

3. Upon receipt of the instruction on settlement and purchase of foreign exchange, the designated depository banks shall duly conduct relevant procedures to adjust the balances of the FX and RMB dedicated fund accounts of the Members.

4. After the completion of the daily clearing, the RMB fund of clearing deposit within any internal ledger of a Member at the Exchange shall not be lower than the minimum clearing deposit. Otherwise, the Exchange may debit corresponding funds in RMB from the Member’s dedicated fund account. If a deficiency still exists, the Member shall make it up prior to the market opening of the next trading day. In the event the Member fails to do so, the INE shall have the right to make complete the minimum clearing deposit through the enforced FX conversion by converting the Member’s foreign currency funds in its dedicated fund account.

5. Whether or not the profit generated from day-end balancing is converted into a foreign currency shall be specified in the carrying brokerage agreement or futures brokerage contract entered into by and between the Members and OSPs and Overseas Intermediaries. The changing cycle for the foreign currency into which the profit is exchanged shall be no less than 6 months.

**IV. Management of the Assets Used as Margin Collateral**

1. No validity period is provided for crude oil standard warrants.

2. Assets owner shall authorize the Members to apply to the INE for any asset to be used as margin collateral.

3. In the event FX is used as margin collateral, the available quote of foreign currency funds will be calculated by multiplying the exchange rate with the discount rate, which is also indicated as a discounted value in the Member’s Fund Status Statement. The discount rate is set up and adjusted by the INE. The exchange rate is subject to the mid-exchange rate quoted by China Foreign Exchange Trade System on the day when the transaction occurs.

**V. Day-End Balancing**

1. After the day end balancing, a Member who has settlement and purchase of foreign exchange transactions shall first determine the amount of settlement and purchase of foreign exchange according to the profit and loss of OSPs, Overseas Intermediaries and overseas clients, and then send the detailed data on settlement and purchase of foreign exchange to its designated depository banks.

2. Designated depository banks shall duly complete the formalities for settlement and purchase of foreign exchange as per such data, and adjust the balances of FX and RMB dedicated fund accounts of the Member.

3. Upon receipt of the feedbacks from the designated depository banks, the Member shall adjust the balances of the margin accounts of its OSPs, Overseas Intermediaries and overseas clients accordingly.

**VI. Filing of Authorized Clearing**

1. See the Filing Procedures for Authorized Clearing for the requirements on filing of authorized clearing.

2. At the time of day-end balancing, the Member shall separately download its authorized clearing data in the Member Service System. No need to separately download the data of Overseas Intermediaries who entrust the Members to conduct trading and clearing since they are included in the clearing data of the Members.

**Attachment 1**

 Account Type Schedule

|  |  |  |
| --- | --- | --- |
| **Subject of Account** |  **Type of Account** |  **Currency of Account** |
| **INE** | Dedicated Settlement Account | RMB**FX** |
| **FF-Members** | Dedicated Margin Account **2** | RMB**FX** |
| **Non-FF Members** | Dedicated Margin Account | RMB |
| **OSPs and Overseas Intermediaries** | Dedicated Futures Settlement Account **1** | RMB**FX** |
| **Domestic clients** | Dedicated Futures Settlement Account | RMB |
| **Domestic clients** | Dedicated Futures Settlement Account **1** | RMB**FX** |

Note:

1. It refers to the FX dedicated futures settlement accounts opened by OSPs, Overseas Intermediaries and overseas clients at the designated depository banks for the purpose of receipt and payment, exchange and transfer of funds relating to the trading of specified domestic futures products, with the bank account nature and the code name of Overseas Institution/Natural Person Domestic FX Account.

2. The dedicated margin account opened by a Member at the branches of designated depository banks as required by the INE is the Member’s Dedicated Fund Account.