**Revision Explanation**

The revision is essentially concerned with price limit regime, and the main adjustments are as follows:

**I. Adjusting the price limit regime**

Section 3 of Article 19 of *Risk Management Rules of the Shanghai International Energy Exchange* stated that the exchange may adjust the price limit to 7% above the price limit on D1 if the same direction Limit-locked market lasts three consecutive trading days. Considering the market elasticity, the proposed rules does not stipulate the specific number of price limit, but rather set the price limit to a certain range that is within 20%, which shall be specified according to actual situation

**II. Forced position reduction**

Firstly, in order to adapt to the needs for internationalization, the proposed rules clarify the relation between the forced position reduction and an abnormal circumstance. Usually, if the Exchange announces that an abnormal circumstance occurs, it will conduct forced position reduction to further enhance market expectations.

Secondly, the proposed rules enhance the applicability of relevant measures where forced position reduction is indeed necessary. Forced position reduction is mainly applicable to the case of continuous Limit-locked market, the concept of “Forced Position Reduction Base Date” is introduced to help market participants clarify the changes of their rights and obligations. Forced Position Reduction Base Date is the most recent trading day that a Limit-locked market occurs and forced position reduction is exercised.

**III. Measures for dealing with Abnormal Circumstances**

For the sake of risk management, Chapter 3 of *Risk Management Rules of the Shanghai International Energy Exchange* stated the scenarios in which the Exchange will announce an abnormal circumstance occurs. In accordance with Chapter 8 of *General Exchange Rules of the Shanghai International Energy Exchange*, the proposed rules complement the measures in dealing with an abnormal circumstance.

**IV. Cancelling the performance deposit for Designated Delivery Warehouses**

Articles 71, 76, 79, and 98 of *Delivery Rules of the Shanghai International Energy Exchange* stated the requirements for performance deposit for Designated Delivery Warehouses. In order to serve the physical enterprise and to mitigate the impact of the COVID-19 crisis on the designated delivery warehouses, after a comprehensive assessment of delivery warehouses’ risk management methods such as providing commercial insurance, guarantors, etc., the proposed rules remove the requirements for paying the performance deposit.