Measures for the Administration of Risk Control of Zhengzhou Commodity Exchange

Chapter 1 General Provisions

Article 1 These Measures are formulated in accordance with the Trading Rules of Zhengzhou Commodity Exchange for the purposes of strengthening risk management in futures trading, protecting the legitimate rights and interests of the parties engaging in futures trading and ensuring the normal operation of futures trading of Zhengzhou Commodity Exchange (hereinafter “the Exchange”).

Article 2 The Exchange shall implement the margin requirement, and other requirements of price limit, position limit, trading limit, large position reporting, forced liquidation and risk warning for the purpose of risk management.

Article 3 The Exchange, members, overseas brokers and clients shall comply with these Measures. Overseas brokers shall assist the futures brokerage members (hereinafter “FB member”) appointed by them with forced liquidation, large position reporting and risk warning. If the positions of overseas brokers’ clients are forcedly liquidated, the FB members should promptly notify the overseas brokers and send Forced Liquidation Notice, forced liquidation results and the risk warning letters to the overseas brokers.

Chapter 2 Margin Requirement Standard

Article 4 The Exchange shall adopt margin requirement standard.

The minimum rates of trading margin for different underlying commodities[1] of futures contracts are listed as below:

Product	Minimum Margin Rate
Common Wheat, Strong Gluten Wheat, No.1 Cotton, Rapeseed Oil, Rapeseed, Rapeseed Meal, Thermal Coal, Early Long-Grain Nonglutinous Paddy, Late Long-Grain Nonglutinous Paddy, Medium to Short-Grain Nonglutinous Paddy, Methanol, Ferrosilicon, Manganese Silicon, White Sugar, PTA, Glass, Cotton Yarn	5%
Apple	7%

Article 5 Different margin rates shall apply to different trading periods from the listing day to the last trading day. Details are listed as below:

Trading period	Margin Rate
For apple futures contract, from the listing day to the 15th calendar day of the month preceding the delivery month	7%
For the futures contracts excluding apple, from the listing day to the 15th calendar day of the month preceding the delivery month	5%

[1] The “high quality strong gluten wheat” hereinafter is abbreviated as “strong gluten wheat”, “pure terephthalic acid” is abbreviated as PTA and “fresh apple” is abbreviated as “apple”.

From the 16th calendar day to the last calendar day of the month preceding the delivery month	10%
Delivery month	20%

Article 6 The trading margin for the positions newly opened on the current day shall be charged according to the settlement price of the previous trading day. The margin for all the positions in the futures contract shall be charged upon clearing according to the current day's settlement price.

Article 7 If a futures contract falls into a period in which the margin rate shall be adjusted, then the new margin rate shall take effect from the market close of the trading day preceding the first trading day of such period.

Article 8 If the cumulative increase or decrease (hereinafter represented by "N") in the price of a futures contract calculated as per the settlement price reaches to three (3) times of the price limit for four (4) consecutive trading days (D1, D2, D3, D4) or three point five (3.5) times for five (5) consecutive trading days (D1, D2, D3, D4, D5), the Exchange shall have the right to increase the margin rate by no more than three (3) times of the applicable margin rate.

Calculation of N:

$N = (P_t - P_0) / P_0 \times 100\%$ $t=4, 5$

P_0 is the settlement price of the trading day preceding D1.

P_t is the settlement price of the trading day t, and t=4, 5

Article 9 In case that the market is closed for long public holidays, the Exchange may adjust margin rates and price limits before the market close.

Article 10 In case that market risks for a certain futures contract increase evidently due to special market condition, the Exchange may take the following measures accordingly:

I. restrict the deposit and withdrawal of funds;

II. suspend from establishing or liquidating positions;

III. adjust margin rate of the futures contract;

IV. adjust price limit of the futures contract.

When the futures market stabled, the Exchange may resume the trading and margining of the futures contract back to normal state.

The Exchange shall make an announcement on the adjustment of trading margin rate or price limits, and shall file with China Securities Regulatory Commission (hereinafter “the CSRC”).

Article 11 In case there are two or more adjustments to trading margin rate prescribed in these Measures are applicable to a futures contract, trading margin shall be charged based on the highest rate.

Article 12 In case that a member fails to respond to margin calls in time, the Exchange shall have the right to implement forced liquidation till the margin r ratio is enough to maintain its positions.

Chapter 3 Price Limit

Article 13 The Exchange shall implement price limit. The daily maximum price fluctuation of each listed futures contract shall be stipulated by the Exchange.

Where relevant provisions on the adjustment to price limit which are listed in these Measures are applicable to a futures contract, the largest limit range shall be adopted.

Article 14 The daily price limit of apple futures contract shall be ±5% of the settlement price of the previous trading day.

The daily price limit of the futures contract other than apple shall be ±4% of the settlement price of the previous trading day.

Article 15 The price limit of a new futures contract from the listing day to the first day where there is price printed shall be twice of the normal price limit of the contract.

On the trading day following the first day where there is price printed, the price limit of the new contract shall be back to the normal price limit.

Article 16 Futures contracts traded at limit prices shall be matched and executed based on the principles of position liquidation priority and time priority.

Article 17 The market will be a limit-locked market if any of the following circumstances occurs within five (5) minutes before market close: a. there are only buy (sell) orders and no sell (buy) orders existing at limit price; b. all the sell (buy) orders are instantly filled and the last price is the same with the limit price.

Article 18 If the price of a certain contract stays at limit up or down for the entire trading day (supposing such trading day is denoted as D1, and the following four (4) successive trading days shall be denoted as D2, D3, D4, and D5 respectively), the price limit of the futures contract on D2 shall be increased by three (3) percentage points over that on D1; the margin rate of this futures contract when it is cleared on

D1 and traded on D2 shall be increased by 2 percentage points over its price limit on D2. If the adjusted margin rate is less than the actual margin rate on D1, then the trading margin of the futures contract shall be collected based on the actual margin rate on D1.

If the market does not continue to be locked up limit price with same direction at D2, then the margin rate on D2 and the price limit on D3 shall be back to normal levels at the time of clearing on D2; if it continued at the same direction on D2, then the price limit of the futures contract on D3 shall be increased by 3 percentage points over the price limit on D2; the margin rate of the futures contract when it is cleared on D2 and traded on D3 shall be increased by 2 percentage points over its price limit on D3. If the adjusted margin rate is less than the actual margin rate on D2, then the trading margin of the futures contract shall be collected based on the actual margin rate on D2.

If price action of the same direction with D1 and D2 does not occur to the futures contract on D3, then the margin rate on D3 and price limit on D4 shall be back to normal levels at the time of clearing on D3; if the price continue to stayed at limit price at the same direction on D3 (namely the limit-locked market of the same direction occurs to the futures contract for three consecutive trading days), the Exchange shall adopt any of the following measures according to market conditions and make public announcements:

I. the Exchange may allow normal trading on D4 and determine to adjust margin rate and price limit, suspend members from opening new positions and liquidating positions, restrict funds withdrawal, and require position liquidation within a prescribed time limit, etc.

II. the Exchange may suspend trading on D4 and determine to adjust margin rate and price limit, suspend members from opening new positions and liquidating positions, restrict funds withdrawal, require position liquidation within a prescribed time limit on D5, etc.

III. the Exchange may suspend trading and implement forced position reduction on D4. From the next trading day (including the day) following D4, the margin rate and price limit of the futures contract shall be applied at the margin rate and price limit on D3 until market is more stabled.

Article 19 When a limit price happened at a different direction from the previous trading day on D2 and the following trading days, a new limit-locked market appears, i.e. such D2 shall be deemed as D1, and the price limit and margin rate of the following trading day shall be set according to Article 18.

Article 20 Forced position reduction shall refer to that upon clearing on D4, the Exchange, in accordance with prescribed methods, automatically match all the positions in a futures contract covered by the quoting orders which are placed at the limit price at the market close of D3 by a client (including non-futures brokerage member, hereinafter "non-FB member") who has incurred losses per lot on the futures contract greater than or equal to a certain proportion of the settlement price (minimum margin rate of the futures contract) on D3 with the positions of the futures contract that are in profit at the limit price on D3.

When conducting forced position reduction, the long and short positions in the futures contract held by the same clients shall be offset first. Economic losses caused by forced position reduction shall be done by the members, overseas brokers and clients.

Article 21 Procedures of forced position reduction:

I. determination of quoting volume

Positions that shall be forcedly liquidated herein shall refer to all the positions in a futures contract covered by the quoting orders placed at the limit price after market close of D3 in the computer system by clients who have incurred losses per lot on the futures contract greater than or equal to a certain proportion of the settlement price (minimum margin rate of the futures contract) on D3. If any holding position the clients have are less than those covered by quoting orders due to automatic offset for both short and long positions, the system will automatically adjust the quantity of the positions and liquidate the positions accordingly. If the client is unwilling to liquidate its positions according to the above methods, the client may cancel the orders before market close, and the client's orders which marked as close position shall not be treated as orders to be filled.

Calculation methods of the client's profits or losses per lot:

$$\text{client's profits or losses per lot} = \frac{\text{total profits or losses of the client on the contract (RMB)}}{\text{number of positions held by the client in the contract (lot)}}$$

The profits or losses of the client on the futures contract shall be calculated based on the difference between actual filled price and the settlement price of the day.

II. determination of the client's positions with profit per lot to be liquidated

The client's speculative positions (including arbitrage positions) that are in profit per lot and hedging positions with profit per lot greater than or equal to twice of the price limit prescribed in the futures contract shall be liquidated.

III. principles and procedures of distributing positions covered by quoting orders

1. principles of distributing positions covered by quoting orders

(1) positions covered by quoting orders shall be distributed into four levels which are classified according to the size of the profit and different purposes (speculation or hedging).

Firstly, positions covered by quoting orders shall be distributed to the speculative positions with profit per lot greater than or equal to twice of the price limit (calculated based on the D3 settlement price) of the futures contract (hereinafter "speculative positions with twice profit").

Secondly, remaining positions covered by quoting orders shall be distributed to speculative positions with profit per lot greater than or equal to the price limit (hereinafter "speculative positions with equal profit").

Thirdly, remaining positions covered by quoting orders shall be distributed to speculative positions with profit per lot less than the price limit of the contract (hereinafter "speculative positions with the least profit").

At last, remaining positions covered by quoting orders shall be distributed to hedging positions with profit per lot greater than or equal to twice of the price limit of the futures contract (hereinafter "hedging positions with twice profit").

(2) the distribution proportions mentioned above shall be ranked based on the quantity ratio of the positions covered by quoting orders (or the remaining positions covered by quoting orders, hereinafter "the remaining quoting orders") to the positions with profit per lot which are available to fill the quoting orders.

2. methods and procedures of distributing the positions covered by quoting orders

If the quantity of speculative positions with twice profit is greater than or equal to that of positions covered by quoting orders, then the positions covered by quoting orders shall be distributed in an equal proportion to speculative positions with twice profit.

If the quantity of speculative positions with twice profit is less than that of positions covered by quoting orders, then speculative positions with twice profit shall be distributed to the positions covered by quoting orders according to the quantity ratio of the speculative positions with twice profit to the positions covered by quoting orders; the remaining positions covered by quoting orders shall be distributed to speculative positions with equal profit according to the foregoing method; if there are still remaining positions, the positions shall be distributed to speculative positions with less the least profit; after that, any remaining positions shall be distributed to the hedging positions with twice profit. The still remaining positions, if any, shall not be distributed. See Appendix for specific methods and procedures.

The unit of positions covered by quoting orders is measured in lot, and the positions less than one (1) lot shall be calculated according to the following methods. Firstly, distributing the integral parts of the number of positions covered by quoting orders which are posted under each trading code, and then distributing the decimal parts according to the order of "from large to small" on the basis of the "rounded-off figures".

Article 22 If the risk of the futures contract still exists after implementing of above measures, the Exchange shall announce the abnormal situation and adopt risk control measures according to relevant regulations.

Article 23 If a limit-locked market happens to a new contract before the first day where first print happened (including the day), the price limit and margin rate of the futures contract shall be exempted from Article 18.

With respect to a futures contract, if limit price of the same direction with previous two trading days happens on the last trading day of a delivery month, the Exchange may, according to market conditions, decide whether to let the contract enter into delivery directly or to conduct forced position reduction first before letting the contract enter into delivery.

Chapter 4 Position Limit

Article 24 The Exchange shall apply position limit.

With respect to a certain futures contract, position limit shall refer to the maximum quantity of speculative positions calculated on a single-side basis that can be held by one member or client.

Article 25 Position limits of the Exchange's listed products are not applicable to FB members.

Article 26 When the single-sided positions of the futures contracts of cotton No. 1, white sugar, PTA, rapeseed oil, methanol, glass, rapeseed meal and thermal coal reach a certain quantity from the listing day to the 15th calendar day of the month preceding the delivery month, the position limits for non-FB member and clients shall be 10% of the quantity of single-sided positions; when the single-sided positions of the above contracts are less than a certain quantity, the position limits for non-FB members and clients shall be determined according to the absolute quantity of the single-sided positions. The specific position limits are listed as below:

Product	Open Interests (Single Side)	Maximum positions held by non-FB members and clients (Single Side)
Cotton No. 1	＜150,000	15,000
	≥150,000	Single-sided positions in futures contracts×10%
White Sugar	＜250,000	25,000
	≥250,000	Single-sided positions in futures contracts×10%
PTA	＜250,000	25,000
	≥250,000	Single-sided positions in futures contracts×10%
Rapeseed Oil	＜100,000	10,000
	≥100,000	Single-sided positions in futures contracts×10%
Methanol	＜100,000	10,000
	≥100,000	Single-sided in futures contracts×10%
Glass	＜200,000	20,000

	≥200,000	Single-sided in futures contracts×10%
Rapeseed Meal	＜200,000	20,000
	≥200,000	Single-sided in futures contracts×10%
Thermal Coal	＜600,000	60,000
	≥600,000	Single-sided in futures contracts×10%

Note: Unit: lot.

The position limits of the futures contracts of common wheat, strong gluten wheat, early long-grain nonglutinous paddy, rapeseed, medium to short-grain nonglutinous paddy, late long-grain nonglutinous paddy, ferrosilicon, manganese silicon, cotton yarn and apple from the listing day to the 15th calendar day of the month preceding the delivery month are listed as below:

Product	Maximum single-sided positions held by non-FB members and clients (per lot)
Common Wheat	2,000
Strong Gluten Wheat	2,500
Early Long-Grain Nonglutinous Paddy	7,500
Rapeseed	10,000
Medium to Short-Grain Nonglutinous Paddy	20,000
Late Long-Grain Nonglutinous Paddy	20,000
Ferrosilicon	8,000
Manganese Silicon	30,000
Cotton Yarn	10,000
Apple (non-July contract)	500
Apple (July contract)	100

The position limits of futures contracts from the 16th calendar day of the month preceding the delivery month to the delivery month are listed as below:

Product	Maximum single-sided positions held by non-FB members and clients	
	From the 16th calendar day to	Delivery month

	the last calendar day of the month preceding the delivery month	(the position limit for natural person is zero)
Common Wheat	600	200
Strong Gluten Wheat	1,000	300
Cotton No.1	3,000	400
White Sugar	5,000	1,000
PTA	10,000	5,000
Rapeseed Oil	3,000	1,000
Early Long-Grain Nonglutinous Paddy	2,000	400
Methanol	2,000	1,000
Glass	5,000	1,000
Rapeseed	1,000	500
Rapeseed Meal	2,000	1,000
Thermal Coal（ZC）	20,000	4,000
Medium to Short-Grain Nonglutinous Paddy	3,000	500
Late Long-Grain Nonglutinous Paddy	3,000	500
Ferrosilicon	2,000	500
Manganese Silicon	10,000	2,000
Cotton Yarn	1,000	200
Apple (non-July contract)	100	10
Apple (July contract)	20	6

For the situations in which clients are not allowed to conduct delivery, please refer to relevant regulations in the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange.

Article 27 Before the market close of the last trading day in the month preceding the delivery month, the members and clients shall adjust the quantity of its positions holdings into multiples of the minimum delivery unit; after the contract enters into the delivery month, the positions held by the members and clients shall remain to be the integral multiples of the minimum delivery unit.

Article 28 In case that one client has more than one (1) trading code in different FB members, the sum of the client's positions under all trading codes shall not exceed the position limit prescribed for one client.

Article 29 Positions in a futures contract held by non-FB members or clients shall not exceed the position limit prescribed by the Exchange.

If the positions held by non-FB members or clients exceed the position limit, the Exchange may conduct forced liquidation according to relevant regulations.

Chapter 5 Trading Limit

Article 30 The Exchange shall apply trading limit. Trading limit shall refer to the maximum quantity of positions in a futures contract that can be opened by a member or a client within a certain period. The Exchange may, according to the market conditions, set trading limits for different listed products and contracts on all or some of members or clients, and the specific standards of the trading limits shall be published by the Exchange separately.

The preceding paragraph shall not apply to hedging activities.

Article 31 In case that a client has more than one (1) trading code in different FB members, the sum of the client's positions under all trading codes shall not exceed the trading limit prescribed for one client.

Article 32 The positions opened by non-FB members or clients shall not exceed the trading limits stipulated by the Exchange. If the positions of the non-FB members or clients exceed the trading limits, the Exchange may notify them by telephone, require them to make reports and submit written commitments, put them in the watch list, suspend them from opening new positions, etc.

Chapter 6 Large Position Reporting Mechanism

Article 33 The Exchange shall adopt large position reporting mechanism.

In case that the positions in a futures contract held by a non-FB member or a client reaches 80% (including 80%) of the position limit prescribed by the Exchange or the limit under which positions are required to be reported to the Exchange, the non-FB member or the client shall report its fund and positions to the Exchange. The Exchange may adjust the reporting levels of positions according to market risk. A client shall make the report through an FB member. A client who appoints an overseas broker to engage in futures trading of the Exchange shall appoint the overseas broker to make the report, and then the overseas broker shall appoint an FB member to make the report.

A non-FB member and a client shall ensure authenticity, accuracy and integrity of large position report and any other materials.

Article 34 In case that the positions held by a non-FB member or a client reach the reporting level in the process of trading, the non-FB member or the client shall proactively report to the Exchange on the next trading day. If further or supplementary reports are required from the non-FB member or the client after first reporting, the Exchange shall notify relevant members.

Article 35 A non-FB member or a client who reaches the Exchange’s large position reporting limit shall provide the following documents to the Exchange:

I. Large Position Reporting Form of Zhengzhou Commodity Exchange;

II. account opening documents and clearing statement of the current day;

III. other documents required by the Exchange.

Article 36 The FB members and overseas brokers shall conduct preliminary checks on relevant materials provided by their clients who have reached the Exchange’s reporting limit and ensure the authenticity and accuracy of the materials.

Chapter 7 Forced Liquidation Mechanism

Article 37 The Exchange shall adopt forced liquidation mechanism.

Forced liquidation shall refer to the measures taken by the Exchange to forcedly liquidate a member’s or a client’s positions when the member or client violates relevant business rules of the Exchange.

Article 38 The Exchange shall have the right to conduct forced liquidation under any of the following circumstances:

I. a member or a client fails to make up the amount of clearing reserve fund when it is below zero;

II. positions held by a member or a client exceed the position limit;

III. positions in the delivery month are held by individual clients;

IV. the Exchange conducts forced liquidation on a member or a client as a punishment for any violation of relevant provisions;

V. a situation in which forced liquidation shall be adopted by the Exchange as an emergency responding measure;

VI. other circumstances prescribed by the Exchange.

Article 39 Principles and procedures of forced liquidation:

A member shall complete forced liquidation by itself before 10:15 a.m. except as otherwise the Exchange has specified time limit for forced liquidation. If the member fails to close out relevant positions before 10:15 a.m., the positions shall be forcibly liquidated by the Exchange.

If circumstances prescribed in items I, II and III of the preceding Article happen to the member, the member shall take the initiative to liquidate its positions and report the liquidation results to the Exchange; and if circumstances prescribed in items IV, V and VI of the preceding Article happen to the member, the Exchange shall forcedly liquidate the member's positions.

Forced liquidation by the Exchange shall be conducted in the following procedures:

I. the Exchange shall conduct forced liquidation according to the client list provided by a member.

II. if the member fails to provide the client list of forced liquidation and the circumstance prescribed in item I of the preceding Article occurs, the Exchange shall sequence the member’s positions in different futures contracts in a descending order according to the total open interests after the market close of the previous trading day and firstly liquidate the futures contract with the largest positions, and then liquidate the member’s rest positions in a descending order according to the net losses of positions in such futures contract held by the member. If the multiple members’ positions shall be liquidated forcedly, the Exchange shall sequence the positions in a descending order according to the amount of margins that members shall additionally pay and firstly liquidate the positions held by the member who shall pay the largest amount of margin.

III. if the circumstance prescribed in item II of the preceding Article occurs to a non-FB member or a client, then forced liquidation shall be conducted according to the size of the non-FB member’s or the client’s positions in excess of the position limit.

IV. if the member fails to provide the client list of forced liquidation and the circumstance prescribed in item III of the preceding Article occurs, the Exchange shall sequence the positions held by such natural persons in a descending order according to the quantity of their positions after the market close of the previous trading day and firstly liquidate the largest positions.

V. if the member fails to provide the client list of forced liquidation and the circumstances prescribed in items IV, V and VI of the preceding Article occur, the positions that need to be forcedly liquidated shall be determined by the Exchange according to specific situations of the member or the client involved in the above circumstances.

VI. if the circumstances prescribed in items I, II and III of the preceding Article occur at same time to the member, the Exchange shall liquidate the member’s positions according to items II and III primarily and item I secondarily.

If the above principles and procedures cannot be followed due to market conditions, the Exchange shall have the right to decide when to conduct forced liquidation.

Article 40 In terms of forced liquidation, the Exchange shall notify members, and the members shall notify clients.

If the circumstances prescribed in items I, II and III of Article 38 occur, the clearing results provided by the Exchange shall be the notification basis of forced liquidation; and if the circumstances prescribed in items IV, V and VI of Article 38 occur, the Exchange shall issue the Forced Liquidation Notice to relevant members.

Article 41 Where the member fails to close out relevant positions within a prescribed period, the rest positions shall be directly liquidated by the Exchange at market price according to the principles prescribed in Article 39.

The Exchange shall send the results of forced liquidation to members along with the trading records and archive the records about forced liquidation.

Price for forced liquidation shall be decided by market.

Article 42 Where the forced liquidation against relevant positions cannot be completed on the current day due to price limit or other market conditions, the forced liquidation against the rest positions could be postponed to the next trading day till all positions are liquidated.

Article 43 Where forced liquidation against relevant positions has to be postponed due to price limit or other market conditions, then the losses occurred from the delay shall be assumed by members or clients; positions holders need to continue to assume contractual responsibilities or delivery obligations until all the positions are forcedly liquidated.

Article 44 Profits or losses occurred from forced liquidation shall be borne by the holder of positions except for the circumstance prescribed in item IV of Article 38. In case that the positions holder is a client, the losses occurred from forced liquidation shall be borne by the member appointed by the client, and the member shall be entitled to take recourse against the client afterwards; in case that the positions holder is the client of an overseas brokers, the overseas brokers shall assist the FB member appointed by it to conduct forced liquidation against the client's positions, the losses occurred from the forced liquidation shall be borne by the FB member first, and then the FB member shall take recourse against the overseas brokers, after which the overseas brokers shall take recourse against the client.

With respect to the forced liquidation prescribed in item IV of Article 38, losses shall be borne by positions holders and profits shall be disposed in accordance with relevant regulations of the People's Republic of China.

Chapter 8 Risk Warning Mechanism

Article 45 The Exchange shall adopt risk warning system.

The Exchange may, as it deems necessary, separately or concurrently adopt measures such as requiring relevant participants to report information, conversation notification and issuing risk warning letters to warn market participants of risks and eliminate risks.

Article 46 The Exchange may talk with members, senior management of overseas brokers or clients to remind them of risks, or require the members, overseas brokers and clients to report information in any of the following circumstances:

I. the members, overseas brokers or clients conduct abnormal trading;

II. the members, overseas brokers or clients hold positions abnormally;

III. the members' funds change abnormally;

IV. the members, overseas brokers or clients are suspected of violating rules or contracts;

V. the Exchange receives complaints related to the members, overseas brokers or clients;

VI. the members, overseas brokers or clients are under judicial investigation;

VII. other circumstances the Exchange deems as necessary.

In case the conversation is conducted through phone by the Exchange, the phone records shall be kept; for face-to-face conversation, the conversation records shall be kept.

In case that the Exchange requires the members, overseas brokers or clients to report information, the ways and contents of reporting shall comply with relevant provisions of the large position reporting system.

Article 47 The Exchange may issue risk warning letters to members, overseas brokers or clients who are suspicious of violating regulations or whose positions are exposed to great risks.

Article 48 The Exchange may issue risk warning letters to all or some of members, overseas brokers or clients in any of the following circumstances:

I. unusual price movement;

II. large spread between futures price and spot price;

III. large price differences between domestic futures price and international futures prices;

IV. other circumstances the Exchange deems as abnormal.

Chapter 9 Supplementary Provisions

Article 49 The Exchange shall handle any violation of these Measures in accordance with Measures for Penalties for Violations of Zhengzhou Commodity Exchange.

Article 50 In case of special regulations with regarding risk control for night session are stipulated in the Detailed Rules for Trading in Night Session of Zhengzhou Commodity Exchange, the special regulations shall prevail.

Article 51 The Exchange shall reserve the right to interpret these Measures.

Article 52 These Measures shall enter into force from November 9, 2018.

(The English version is for reference ONLY. The Chinese version shall prevail if there is any inconsistency.)

Appendix:

Methods and Procedures for Distributing Quoting Orders

Steps	Distribution Criterion	Distribution Quantity	Distribution Proportion	Client to be Distributed to	Distribution Result
1	quantity of speculative positions with twice profit ≥quantity of positions covered by quoting orders	quantity of positions covered by quoting orders	quantity of positions covered by quoting orders ÷quantity of speculative positions with twice profit	clients whose speculative positions are in twice profit	distribution completes
2	quantity of speculative positions with twice profit <quantity of positions covered by quoting orders	quantity of speculative positions with twice profit	quantity of speculative positions with twice profit ÷quantity of positions covered by quoting orders	clients with positions covered by quoting orders	remaining positions covered by quoting orders shall be distributed according to Steps 3 and 4
3	quantity of speculative positions with equal profit ≥quantity of remaining positions covered by quoting orders 1	quantity of remaining positions covered by quoting orders 1	quantity of remaining positions covered by quoting orders 1 ÷quantity of speculative positions with equal profit	clients whose speculative positions are in equal profit	distribution completes
4	quantity of speculative positions with equal	quantity of speculative positions with equal profit	quantity of speculative positions with equal	clients with remaining positions covered by	remaining positions covered by quoting

	profit ＜quantity of remaining positions covered by quoting orders 1		profit ÷quantity of remaining positions covered by quoting orders 1	quoting orders	orders shall be distributed according to steps 5 and 6
5	quantity of speculative positions with the least profit ≥quantity of remaining positions covered by quoting orders 2	quantity of remaining positions covered by quoting orders 2	quantity of remaining positions covered by quoting orders 2 ÷quantity of speculative positions with the least profit	clients whose speculative positions are in the least profit	distribution completes
6	quantity of speculative positions with the least profit ＜ quantity of remaining positions covered by quoting orders 2	quantity of speculative positions with the least profit	quantity of speculative positions with the least profit ÷quantity of remaining positions covered by quoting orders 2	clients with remaining positions covered by quoting orders	remaining positions covered by quoting orders shall be distributed according to steps 7 and 8
7	quantity of hedging positions with twice profit ≥quantity of remaining positions covered by quoting orders 3	quantity of remaining positions covered by quoting orders 3	quantity of remaining positions covered by quoting orders 3÷quantity of hedging positions with twice profit	clients whose hedging positions are in twice profit	distribution completes

8	quantity of hedging positions with twice profit ＜ quantity of remaining positions covered by quoting orders 3	quantity of hedging positions with twice profit	quantity of hedging positions with twice profit ÷quantity of remaining positions covered by quoting orders 3	clients with remaining positions covered by quoting orders	remaining positions covered by quoting orders shall not be distributed

Note：

1. Quantity of remaining positions covered by quoting orders 1 = Quantity of all the positions covered by quoting orders - Quantity of speculative positions with twice profit;

2. Quantity of remaining positions covered by quoting orders 2 = Quantity of remaining positions covered by quoting orders 1- Quantity of speculative positions with equal profit;

3. Quantity of remaining positions covered by quoting orders 3= Quantity of remaining positions covered by quoting orders 2- Quantity of speculative positions with the least profit;

4. Quantities of speculative positions and hedging positions shall refer to the quantities of positions held by clients in profit and matched with those covered by quoting orders.