Trading Rules for the Stock Options Pilot Program of the Shanghai Stock Exchange

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Chapter I General Provisions

Article 1 These *Trading Rules* are formulated pursuant to the *Securities Law*, *Regulations on Futures Trading*, the *Measures for the Administration of the Pilot Program on Stock Options Trading*, and other applicable laws, regulations, and ministry-level rules as well as rules including the *Constitution of Shanghai Stock Exchange* to regulate the stock options pilot program, maintain the normal order of options trading, protect the legitimate rights and interests of investors and the public interest, and promote market functions.

Article 2 These *Trading Rules* shall apply to the listing, trading, exercise, and risk management of stock options contracts ("*options*" or "*options contracts*") on the Shanghai Stock Exchange (*the "SSE*"). Any matter not specified in these *Trading Rules* shall be subject to other applicable rules of the Exchange.

In these *Trading Rules*, options contract set forth in the trading rules means a standardized contract that is uniformly provided by the SSE and allows a buyer to buy or sell a specified stock, stock index exchange-traded fund (*"ETF"*), or other underlying assets at a specified price and on a specified future date.

Article 3 The SSE organizes options trading based on the principles of transparency, fairness, justice, and good faith, and conducts self-regulation over the activities related to options trading at the Exchange.

Options intermediaries, investors, and other participants of options trades shall be subject to these *Trading Rules* as well as other rules of the Exchange, and accept the supervision and administration of the SSE with respect to their options trading.

Article 4 China Securities Depository and Clearing Co., Ltd. (CSDC) shall be in charge of the settlement of options contracts listed on the Exchange.

Chapter II Options Contract

Article 5 Stocks and ETFs listed on the SSE as well as other securities approved by the China Securities Regulatory Commission (shorted as *CSRC*) may be prescribed as the underlying asset of an options contract (shorted as *underlying asset*).

Article 6 A stock shall meet the following provisions when selected as an underlying asset:

(1) is announced by the SSE as one of the underlying securities for margin trading and short selling;

(2) has been listed for no less than six months;

(3) has an average daily movement over the preceding six months not more than three times the average daily movement of the benchmark index;

(4) has been held by an average of at least 4,000 accounts each day in the last six months; and

(5) meets other requirements prescribed by the Exchange.

Article 7 An ETF shall meet the following conditions when selected as an underlying asset:

(1) is announced by the SSE as one of the underlying securities for margin trading and short selling;

(2) has been established for no less than six months;

(3) has been held by an average of at least 4,000 accounts each day in the last six months; and

(4) meets other requirements prescribed by the Exchange.

Article 8 The main terms of an options contract are its short name, contract code, ticker, underlying asset, contract type, expiration month, contract size, strike price, option style, and delivery mode.

The SSE may adjust these terms in view of market needs.

Article 9 An options contract expires on the fourth Wednesday of its expiration month or, if this date is a public holiday or market closure, the following trading day.

Unless otherwise provided by these *Trading Rules*, the last trading day and exercise date of an options contract is its expiration date as may be advanced or postponed.

Chapter III Listing and Quotation

Article 10 The SSE determines the option products to be listed based on the underlying assets selected and the number of each product to be quoted on according to the combination of contract type, expiration months, and strike prices.

Article 11 Upon expiration of options contracts in the current month, the SSE will list corresponding options contracts of new expiration months.

Where there is a lack of quoted out-of-the-money contracts or in-the-money contracts due to price changes of the underlying asset, the SSE will, as of the following trading day, list contracts with updated strike prices based on the strike price interval.

Article 12 If any underlying asset goes ex-right or ex-dividend, the SSE will, on the ex-right or ex-dividend date, adjust the contract size and strike price of all unexpired options contracts with said underlying asset, then re-list and quote them as updated with said underlying asset ex-right or ex-dividend.

Article 13 If any underlying asset goes ex-right or ex-dividend, the contract size and strike price of relevant options contracts shall be adjusted according to the following formula:

New contract size = [old contract size × (1 + percentage change in outstanding shares) × closing price of underlying asset on the day before the ex-right (ex-dividend) date] / [closing price of underlying asset on the day before the ex-right (ex-dividend) date − cash dividend) + rights issue price × percentage change in outstanding shares];

New strike price = old strike price × old contract size / new contract size.

The adjusted contract size shall be rounded to the nearest integer. The adjusted strike price shall be rounded to the nearest hundredth if the underlying asset is stock or to the nearest thousandth if the underlying asset is ETF units.

Article 14 In case of any adjustment to the contract size or strike price of an options contract, its ticker and short name shall be adjusted accordingly and it shall be traded and settled according to these adjusted terms.

Where the adjusted contract has zero open interest at the end of a day, the SSE will delist the contract on the following trading day.

Article 15 The SSE will not will not list any new contract the underlying stock or ETF of which has been removed from the prescribed list of underlying assets .

If any contract is adjusted due to its underlying asset going ex-right or ex-dividend, there will not be new contract with new expiration month and strike price of the same underlying asset being listed.

Article 16 If any underlying asset is suspended or terminated from listing, the SSE will simultaneously terminate the listing of the corresponding option product and no new contract with such underlying asset will be listed.

Article 17 An options contract will be delisted upon expiration.

Chapter IV Trading

Section 1 General Rules

Article 18 The SSE provides the marketplace and facilities for options trading.

The options market is open from Monday to Friday each week and closed on public holidays and market closure as announced by the Exchange.

Article 19 The trading hours of options contracts are 9:15-9:25, 9:30-11:30, and

13:00-15:00 each trading day. Unless otherwise provided in these *Trading Rules*, opening auction runs from 9:15 to 9:25, closing auction from 14:57 to 15:00, and continuous trading session during the remaining hours.

Trading hours will not be extended in the event of a temporary market closure for any reason.

Article 20 Members meeting relevant requirements of the CSRC on engaging in stock options brokerage services as well as other stock options intermediaries recognized by the SSE (collectively *options intermediaries*) may apply to become trading participants of stock options at the SSE (shorted as *Trading Participants*), and engage in options trading through a participant business unit established by the SSE (shorted as *Participant Business Unit*).

Options intermediaries engaging in both proprietary trades and brokerage services shall establish separate Participant Business Units which shall not be interconnected or mixed.

The establishment, use, and management of Participant Business Units shall be governed by the *Implementing Rules of Shanghai Stock Exchange for Participant Business Units* and other applicable rules of the Exchange.

Article 21 To apply to become a Trading Participant, the applicant shall:

(1) meet the requirements of the CSRC on engaging in stock options brokerage services;

(2) possess the business venues, facilities, professionals, and business systems appropriate for the stock options brokerage services it plans to engage in;

(3) have a stock options IT system meeting the standard prescribed by the Exchange; and

(4) meet other requirements prescribed by the Exchange.

Article 22 To apply to become a Trading Participant, the applicant shall submit the following written documents to the Exchange:

(1) an application form bearing its common seal and the signature of its legal representative;

(2) photocopy of its duplicate Business License of Enterprise Legal Person and its duplicate Organization Code Certificate, each affixed with its common seal;

(3) documentation evidencing that it meets the requirements of the CSRC on engaging in stock options brokerage services;

(4) such documents as its stock options business plan, internal risk control and management rules, and investor suitability management rules;

(5) list and qualification certificates of the senior officers and relevant personnel involved in the stock options business; and

(6) other documents required by the Exchange.

The SSE only accepts complete and satisfactory applications and will issue an approval or disapproval decision within ten trading days.

The SSE may terminate the Trading Participant status of any options intermediary who no longer meets the qualification requirements of the SSE or the rules of the CSRC.

Article 23 Options intermediaries shall meet the requirements of the SSE in such areas as business operation, risk management, and IT systems on an ongoing basis.

Article 24 If an options intermediary intends to use by itself or provide its clients with trading software which, through computer programs, enables automated or quick order submission and other functions, the options intermediary shall, five trading days before doing so, report the matter to the SSE for record keeping purposes.

Any investor who intends to use trading software that, through computer programs, enables automated or quick order submission and similar functions shall, five trading days before doing so, inform its options intermediary of the matter and have the options intermediary report such matter to the SSE for record-keeping purposes.

Article 25 Options intermediaries shall send trade orders to the SSE through Participant Business Units and conclude the trades pursuant to these *Trading Rules*. Trading results and other records are sent to the options intermediaries by the Exchange.

Options intermediaries shall properly store the records on client instructions and order submissions pursuant to applicable rules.

Article 26 Any investor intending to trade options at the SSE shall enter into an options brokerage agreement with an options intermediary to become its client.

Article 27 An investor must participate in options trading at the SSE through its carrying options intermediary.

The options intermediary engaged by the investor for options trading shall be the same as the intermediary it has designated for its corresponding securities account.

Article 28 Options intermediaries engaged in options brokerage services shall accept client instructions and trade options in their own name on behalf of their clients. The trading results shall be borne by the clients.

Article 29 Upon accepting a client instruction, the options intermediary shall place an order with the SSE in accordance with the instruction and assume the corresponding trading and settlement obligations.

Article 30 An options intermediary shall implement front-end control in its over-the-counter trading system to verify the funds, options contract, underlying asset, price, position opening limit, position limit, and other pertinent information related to each client instruction, ensuring that the instruction meets the requirements of these *Trading Rules* and other applicable rules of the SSE and that there is no such circumstances as insufficient funds, double-booked funds, or position over-limit.

Article 31 An options intermediary shall promptly notify its clients of the current day's clearing and settlement results in the manner agreed with the clients. Clients shall promptly check and appropriately manage their positions.

At the end of each trading day, each options intermediary shall report to the SSE the funds information of its clients and other information required by the Exchange.

Article 32 Options market makers provide two-way continuous quotes and two-way on-demand quotes for the options contracts listed on the Exchange, and are entitled to such privileges as reduction and incentives on trading fees.

The qualification requirements, rights, obligations, and performance evaluation of options market makers will be prescribed by the SSE separately.

Section 2 Investor Suitability Management

Article 33 The SSE enforces investor suitability rules for options trading. Investors participating in options trading at the SSE shall satisfy the suitability standard prescribed by the CSRC and the Exchange; individual investors shall additionally pass the comprehensive suitability assessment for options investors organized by options intermediaries.

Particulars of investor suitability management will be prescribed by the SSE separately.

Article 34 No listed company or any of its directors, supervisors, senior officers, shareholders holding five percent or more of its shares, or any person acting in concert therewith may buy or sell any options contract with its stock as the underlying asset.

Article 35 An options intermediary shall manage the suitability of investors participating in options trading, establish an investor qualification review system, test them on the fundamentals of options, and prudentially assess their risk tolerance. No options intermediary may accept an unqualified investor as client.

The foregoing qualification review shall cover the investor's credit status, investment experience, and risk tolerance, among other aspects.

The results of investor qualification review shall be recorded and retained in paper or electronic form.

Article 36 An options intermediary shall manage the options trading privileges of individual investors based on their classification determined by the results of their comprehensive suitability assessment. An investor may engage in options trading within the limits corresponding to the level of prescribed conditions they satisfy.

Particulars of classification-based management will be prescribed by the SSE separately.

Article 37 Before entering into an options brokerage agreement with a client, an options intermediary shall fully explain relevant laws, regulations, and rules on options as well as the characteristics of various products, adequately disclose potential risks, and require the client to sign a risk disclosure statement. No options intermediary may open an account for any client who does not sign the risk disclosure statement.

Article 38 An options intermediary shall manage the options trading of its clients and educate them about risks on an ongoing basis, and shall keep abreast of such information about the options trading of its clients as profits and losses, expenses, and payments and receipts.

An options intermediary shall explicitly require investors to provide truthful materials and information and to keep them up-to-date, and re-assess the risk tolerance of any investor whose materials or information has changed materially.

Article 39 Options intermediaries shall be the primary party responsible for handling investor complaints. Options intermediaries shall establish a client dispute resolution mechanism, publish the resolution process and status, and specify the departments and positions responsible for handling client complaints.

Article 40 Investors who engage in options trading shall, according to the principles of personal assumption of risks, make prudent decisions, voluntarily participate in options trading, and independently assume relevant risks according to law. Investors shall not refuse to bear the results of their options trades or to perform obligations on the grounds that they do not meet applicable suitability standards.

Section 3 Client Instructions and Order Submission

Article 41 Any investor intending to trade options shall apply to an options intermediary to open a derivative contract account (shorted as *contract account*) and a margin account.

An investor shall have a securities account of the SSE before applying for the contract account, and the registration information associated with the two accounts must be consistent. An investor may change the designated member of its securities account or cancel its securities account only after the corresponding contract account is canceled.

CSDC centrally allocates contract account numbers based on the account opening information submitted by options intermediaries.

Article 42 Investors may instruct an options intermediary to buy or sell options contracts on their behalf either in writing or through self-service channels such as telephone, self-service terminal, or the Internet.

Article 43 An instruction placed by an investor shall include:

(1) contract account number;

(2) ticker of the contract;

(3) trading type;

(4) quantity;

(5) instruction type and price; and

(6) other information required by the SSE and the options intermediary.

Trading type referred to in Item (3) includes buy to open, buy to close, sell to open, sell to close, open covered call, and close covered call, among others.

Instruction type referred to in Item (5) includes ordinary limit price instruction, market-to-limit instruction, immediate-or-cancel market price instruction, fill-or-kill limit price instruction, and fill-or-kill market price instruction, among others.

Article 44 Option buyers shall pay the premium; option sellers collect premium and shall deposit margin funds as required by the SSE and CSDC.

Article 45 An investor must have the corresponding short positions to place a buy to close instruction. A buy to close instruction is deemed invalid if its quantity exceeds the short positions held.

Article 46 An investor must have the corresponding long positions to place a sell to close instruction. A sell to close instruction is deemed invalid if its quantity exceeds the long positions held.

Article 47 Any investor intending to open a covered call position must first submit a lock-up instruction to reserve the corresponding underlying asset in its securities account (shorted as *reserved covering securities*) for the covered call.

A corresponding amount of reserved covering securities will be locked up by the SSE in real time, after which they may only be unlocked or used to open a covered call position and may not be sold, unless otherwise prescribed by the SSE or CSDC.

No restricted outstanding shares may be designated as reserved covering securities.

Article 48 Unless otherwise prescribed by the SSE or CSDC, underlying asset may be locked as reserved covering securities on the same day it is bought.

Any reserved covering securities not used to open a covered call position will be automatically unlocked at the end of each day.

Article 49 An instruction to open a covered call position is deemed invalid if there is an insufficient quantity of reserved covering securities to cover the call.

At the end of each day, CSDC locks up an amount of underlying asset in the securities account of an investor corresponding to the size of the investor's covered calls.

In case of any adjustment to the size of an options contract due to the underlying asset going ex-right or ex-dividend, the quantity of covering securities shall be calculated based on the adjusted contract size.

Article 50 An investor who has closed a covered call position may submit an unlocking instruction for the reserved covering securities on the same day. The reserved covering securities will be automatically unlocked at the end of the day absent such an instruction.

The SSE accepts instructions for locking and unlocking reserved covering securities during 9:15-9:25, 9:30-11:30, and 13:00-15:00 each trading day.

Article 51 Any unlocked reserved covering securities, except for the underlying asset bought, locked, and unlocked on the same day, may be sold on the day of unlocking.

Any underlying asset bought, locked, and unlocked on a given day may be used to create or redeem ETF units but may not be sold on the same day; any ETF units created, locked, and unlocked on a given day may be sold but may not be redeemed on the same day.

Underlying asset in intraday trade is not subject to the restrictions of the preceding paragraph.

Article 52 Unless otherwise prescribed by the Exchange, the long positions and short positions in the same options contract held by a contract account will be automatically and mutually offset at the end of each day.

If an investor holds both short positions in covered calls and short uncovered positions, the latter will be offset first.

Article 53 An options intermediary shall timely submit client orders to the SSE in the order they are received.

Article 54 During the trading hours prescribed by these *Trading Rules*, the SSE accepts trade orders submitted by options intermediaries. A trade order becomes effective upon being confirmed by the SSE and remains valid on the day of submission.

No order cancellation request will be accepted during the opening auction session from 9:20 to 9:25 and the closing auction session from 14:59 to 15:00 each trading day; an unmatched order may be canceled by a cancellation instruction at any other time for order submission, after the instruction is confirmed to be valid by the Exchange.

Article 55 The SSE accepts the following limit orders and market orders from Trading Participants:

(1) ordinary limit order;

(2) market-to-limit order;

(3) immediate-or-cancel market order;

(4) fill-or-kill limit order;

(5) fill-or-kill market order; and

(6) other types of order as specified by the Exchange.

The SSE only accepts ordinary limit orders and cancellation instructions during the auction sessions specified in these *Trading Rules*, except, in the case of cancellation instructions, for the periods in the auction sessions during which no cancellation instructions will be accepted under these *Trading Rules*.

Article 56 A limit order shall include such elements as the order type, contract account number, brokerage branch code, options contract code, trading direction, quantity, and price.

A market order shall include such elements as the order type, contract account number, brokerage branch code, options contract code, trading direction, and quantity.

Orders must be submitted in the format specified by the Exchange. The SSE may adjust the required elements of an order and the method of order submission as it deems necessary.

Article 57 Where an options intermediary intends to instruct CSDC to transfer in or out of its securities disposal account the securities that will not be immediately delivered to its clients, it shall submit the transfer instruction to CSDC through the Exchange.

The transfer order shall include such elements as the investor’s securities account number and the code, quantity, and disposal type of the underlying asset.

The SSE accepts transfer-in orders during 9:15-9:25, 9:30-11:30, and 13:00-15:30 each exercise settlement date and transfer-out orders during 9:15-9:25, 9:30-11:30, and 13:00-15:30 each trading day.

Article 58 Options are traded in contracts.

Each order for options trading shall be in multiple of one contract. There is a size limit of ten contracts for each limit order and five contracts for each market order.

The SSE may adjust the minimum and maximum sizes of each trade order in view of market needs.

Article 59 Where the underlying asset is a stock, the instruction, order, and trading prices of the options contract are the premium corresponding to each share; the tick size of an order is RMB 0.001 Yuan. Where the underlying asset is an ETF, the instruction, order, and trading prices of the options contract are the premium corresponding to each ETF unit; the tick size of an order is RMB 0.0001 Yuan.

The SSE may adjust the tick size in view of market needs.

Article 60 The SSE enforces price limit for options trading. Any order exceeding the price limit is invalid.

Article 61 The price limits of an options contract are calculated as follows:

Price limits = previous settlement price of the contract ± price up/down limit

Price up limit of a call option = max {previous closing price of underlying asset × 0.5%, min [(2 × previous closing price of underlying asset − strike price), previous closing price of underlying asset] × 10%};

Price down limit of a call option = previous closing price of underlying asset × 10%;

Price up limit of a put option = max {strike price × 0.5%, min [(2 × strike price − previous closing price of underlying asset), previous closing price of underlying asset] × 10%};

Price down limit of a put option = previous closing price of underlying asset × 10%.

The SSE may adjust the parameters in the above formulas in view of market needs.

Article 62 The price up/down limit of a contract calculated according to the preceding Article shall be rounded to the nearest multiple of the tick size.

The lower price limit shall be set to the tick size if the calculated lower price limit is less than the tick size.

The price up/down limit shall be set to the tick size if the calculated price up/down limit is less than or equal to the tick size.

There is no lower price limit on the last trading day of an options contract.

Article 63 The daily price limits of options contracts are announced by the SSE before the opening of each trading day.

Section 4 Auction and Order Execution

Article 64 Auction trading of options is conducted through auction and continuous trading session.

Auction refers to the process of one-time, centralized matching of buy and sell orders that are accepted during a specified period.

Continuous trading refers to the process of continuous matching of buy and sell orders on an order-by-order basis.

Article 65 During the auction trading of options, orders are matched and executed based on the principles of price priority and time priority.

The principle of price priority: priority is given to buy orders with higher bid price and sell orders with lower ask price.

The principle of time priority: for orders with the same bid price or ask price, priority is given to the order placed earlier.

Article 66 During continuous trading session, orders at price limits are matched and executed based on the principles of closing orders priority and time priority.

The principle of closing orders priority: for orders at the upper price limit, a buy to close order (including that to close a covered call position) precedes a buy to open order; for orders at the lower price limit, a sell to close order precedes a sell to open order.

Article 67 During auction session, the trading price shall be determined according to the following principles in the following order:

(1) the price that will produce the highest trading volume;

(2) the price that allows all buy orders with a higher bid price and all sell orders with a lower ask price to be executed;

(3) the price that allows all buy orders at that price to be executed, or all sell orders at that price to be executed, or both;

(4) where two or more order prices satisfy the conditions above, the one that minimizes the difference between the cumulative quantity of all buy orders at a higher price and the cumulative quantity of all sell orders at a lower price shall be taken as the trading price;

(5) where two or more order prices satisfy the conditions above still, the one that is the closest to the previous settlement price shall be taken as the trading price;

(6) where two order prices satisfy the conditions above still, their average shall be taken as the trading price.

In auction sessions all trades shall be executed at the same trading price.

Article 68 During continuous trading session, the trading price shall be determined according to the following principles:

(1) where the highest bid price matches the lowest ask price, such price shall be taken as the trading price;

(2) where the bid price is higher than the currently available lowest ask price, such lowest ask price shall be taken as the trading price;

(3) where the ask price is lower than the currently available highest bid price, such highest bid price shall be taken as the trading price.

Article 69 Unless otherwise specified by these *Trading Rules*, a trade is concluded after a buy order and a sell order are matched and executed by the Exchange. A trade concluded pursuant to these *Trading Rules* is effective as from its conclusion, and both the buyer and the seller must accept the trading results and perform their settlement obligations.

The execution data kept by the SSE shall be taken as the final results of the trades concluded pursuant to these *Trading Rules*.

Section 5 Trading Suspension and Resumption, Circuit Breaker, and Other Matters

Article 70 The opening price of an options contract on a trading day is the first trading price of such contract on that day. Such opening price is generally generated from auction session, failing which, it shall be generated from continuous auction.

The closing price of an options contract is the last trading price on the current trading day or, absent any trade on that day, the previous closing price. If an options contract is not traded on its first day of listing, the opening reference price published by the SSE shall be taken as the closing price on that day.

Article 71 The SSE publishes the settlement prices of options contracts after the close of each trading day, prices which will be the basis for calculating the day-end maintenance margin, the next-day initial margin and price limits, and other parameters for the options contracts.

Article 72 The settlement price of an options contract is the trading price of the closing auction on the current day. If the closing auction fails to generate a trading price or generates a clearly unreasonable trading price, the SSE will determine the settlement price of the options contract in accordance with the procedures separately prescribed by the SSE and CSDC.

For any options contract that is in-the-money on the last trading day, the SSE will determine its settlement price based on its underlying asset’s closing price on that day and its strike price. Any options contract that is at-the-money or out-of-the-money on the last trading day has a settlement price of zero.

The SSE and CSDC may adjust the method of settlement price calculation in view of market conditions.

Article 73 On the first day of listing, an options contract shall take the opening reference price published by the SSE as its previous settlement price.

Where the underlying asset of an options contract goes ex-right or ex-dividend, the previous settlement price of the contract shall be adjusted according to the following formula: previous settlement price of the new contract = previous settlement price of the old contract × old contract size / new contract size.

Article 74 Where the underlying asset of an options contract is suspended from trading during the term of the contract, trading of the contract shall also be suspended. Unless otherwise specified by these *Trading Rules*, once the underlying asset resumes trading, the contract shall resume trading simultaneously.

Article 75 If an options contract is suspended from trading during trading hours, the orders submitted before the suspension will participate in the trading of the contract when trading resumes.

During trading suspension, orders can be submitted or canceled. Upon trade resumption, accepted orders will be matched based on the principles for determining the trading price of an auction session.

Article 76 Options trading is subject to the circuit breaker mechanism.

During continuous auction, if the intraday trading price of a contract moves by 50% or more above or below the latest reference price and the absolute value of such movement reaches or exceeds five times the tick size, the contract will enter a 3-minute auction session, after which continuous auction will resume.

The SSE may adjust the circuit breaker threshold of options trading in view of market needs.

Article 77 *Latest reference price* referred to in the preceding Article means the trading price generated in the latest auction session.

Where no trading price is generated in an opening auction session, the previous settlement price of the options contract shall be taken as the latest reference price.

Where no trading price is generated in an intraday auction session, the last trading price of the options contract before the session shall be taken as the latest reference price.

Article 78 Where trading of an options contract triggers the circuit breaker and enters an auction, any unmatched portion of a market-to-limit order will enter the auction as a limit order at the latest trading price of an order on the same trading side.

If the full execution of a fill-or-kill limit order or fill-or-kill market order will trigger the circuit breaker, such order is deemed invalid.

Article 79 Where trading of an options contract triggers the circuit breaker during

11:27-11:30 and enters an auction session, any time of such auction session remaining at 11:30 shall be transferred to the start of the trading session after 13:00.

Where an auction session is triggered due to circuit breaker, the SSE will not accept any order cancellation instruction during the last minute of the session; where the circuit breaker is triggered during 14:54-14:57, the closing auction session will start immediately and the SSE will not accept any order cancellation instruction during the last minute before market close.

If trading of the underlying asset of an options contract is suspended after trading in the contract has entered an auction session due to circuit breaker, trading in such contract shall also be suspended. Once trading of the contract resumes, accepted orders will be matched based on the principles for determining the trading price of an auction session, after which the contract will enter continuous auction.

Section 6 Handling of Extraordinary Events during Trading

Article 80 In case any or all of the options trading activities will not or may not continue as normal due to such reasons as force majeure, unforeseen event, technical failure, major error, or market manipulation, or in case any significant risks will arise or may arise in the options market due to such reasons as consecutive price limit hits by its underlying asset, the SSE may take the following risk control measures in accordance with the prescribed authority and procedures and shall immediately report the situation to the CSRC:

(1) imposing a temporary trading suspension;

(2) imposing a temporary market closure;

(3) adjusting margin rates;

(4) adjusting the price limits of a contract;

(5) adjusting the settlement price of a contract;

(6) adjusting the expiration date and the method of exercise and delivery;

(7) correcting the terms of a contract;

(8) adjusting the position limits of options intermediaries or investors;

(9) restricting the options trading of options intermediaries or investors;

(10) requiring options intermediaries or investors to close their positions;

(11) performing forced liquidation;

(12) canceling trades; or

(13) taking other risk control measures.

The SSE shall promptly issue a market announcement if it has taken risk control measures in response to an extraordinary event described in the preceding paragraph that has occurred in the trading of stock options.

Article 81 The SSE may impose a temporary trading suspension in case of:

(1) any substantial unusual movement in the price of options trades;

(2) any suspected violation of applicable laws or rules in the trading of options or underlying assets, which may materially impact the order of options trading; or

(3) other extraordinary events identified by the Exchange.

The timing of suspension and resumption of trading shall be determined and announced by the Exchange.

Article 82 The SSE will resume trading and issue a market announcement to the effect after the cause of the temporary trading suspension, temporary market closure, or restrictions on options trading by options intermediaries or investors has been resolved.

Except for the special situations identified by the Exchange, where trading is resumed on the same day as the temporary trading suspension or temporary market closure, the orders already accepted by the SSE prior to the trading suspension or market closure shall remain valid at the resumption of trading and will be matched based on the principles for determining the trading price of an auction session.

Article 83 Where a situation such as force majeure, unforeseen event, technical failure, or major error have caused an error in the terms, settlement price, price limits, cash settlement price, or rate of initial margin of an options contract or in any other key data related to options trading, the SSE may adjust relevant terms or data and shall issue a market announcement about the adjustment.

Article 84 If any options intermediary or investor is itself affected by trading abnormalities due to such reasons as force majeure, unforeseen event, technical error, or major error and the abnormalities will affect or may affect the normal trading of the options market, the options intermediary or investor shall take immediate and effective containment measures and immediately report the situation to the Exchange.

The SSE may inspect such options intermediary and investor and shall timely issue a market announcement regarding its findings.

Article 85 If the underlying asset market or the options market is affected by force majeure, unforeseen event, technical failure, or material error, causing major abnormalities in the results of options trading which results, if used as the basis for settlement, will materially impact the normal order of options trading or market fairness, the SSE may take such actions as canceling trades, and shall report its actions to the CSRC.

The SSE may, with an announcement, cancel any trade that violates these *Trading Rules* or severely harms the normal functioning of the options market; any losses resulting from the cancellation shall be borne by the offender.

Article 86 The SSE has formed an Option Trade Cancellation Review Committee which issues independent and professional judgement on trade cancellations as well as review opinions.

The SSE shall, based on the review opinions of the Committee, decide whether or not to cancel relevant trades, followed by a market announcement on its decision.

Article 87 The SSE shall not be liable for any extraordinary event occurred during trading and for any risk control measure it adopts.

Section 7 Trading Information

Article 88 The SSE publishes information on options trading including real-time market data, delayed market data, and public information.

Article 89 All options trading information generated in the market of the SSE is property of the Exchange. Without the permission of the Exchange, no institution or individual may use, process, operate, or disseminate such information.

Any options intermediary that receives, uses, displays, or disseminates the real-time market data from options trades on the SSE shall enter into a written agreement with the SSE or an agency authorized by the Exchange.

Article 90 Each options intermediary shall at its place of business display the real-time market data from options trades.

Article 91 The real-time market data of an options contract during auction session include its contract code, previous settlement price, virtual auction reference price, virtual matched volume, and virtual unmatched volume.

No auction reference price, matched volume, and unmatched volume will be published when a contract is suspended from trading.

Article 92 The real-time market data of an options contract during continuous auction include its contract code, previous settlement price, last trading price, intraday highest trading price, intraday lowest trading price, intraday cumulative trading volume and trading amount, gross open interest, the five real-time highest bid prices and corresponding quantities, and the five real-time lowest ask prices and corresponding quantities.

Article 93 At daily market close, the SSE will announce to the market the following information on unexpired options contracts:

(1) top three call option products and top three put option products by trading volume, and the corresponding top five options intermediaries in terms of trading volume (proprietary and brokerage trades combined);

(2) top three call option products and top three put option products by gross open interest, and the corresponding top five options intermediaries in terms of position holding (proprietary and brokerage trades combined); and

(3) other information the publication of which is deemed necessary by the Exchange.

Article 94 For any single option product with stock as the underlying asset, if the quantity of underlying asset corresponding to (a) the combination of the long positions of call options and the short positions of put options or (b) the combination of the short positions of call options and the long positions of put options, held by investors, reaches, or subsequently changes on aggregate, by five percent or more of the outstanding shares of the listed company, the SSE will announce to the market:

(1) names of the investors;

(2) short names of all relevant options contracts;

(3) position holding in the option product and the corresponding quantity of underlying asset, as well as the proportion of quantity to the outstanding shares of the listed company; and

(4) other information the publication of which is deemed necessary by the Exchange.

Article 95 Market data published by the SSE will include information on options contracts that have been suspended from trading, and not include information on delisted options contracts.

Article 96 For any options contract that expires, the SSE will publish statistics on the exercise of the options contract following market close on the exercise date.

The statistics on exercise include, among other information, the size of orders exercising call options and put options for each option product.

Article 97 The SSE may adjust how and what to publish in the real-time market data and public information of options trading in view of market needs.

Chapter V Exercise

Article 98 An option buyer may determine whether to exercise the option during the period specified in the contract. If the buyer elects to exercise, it may buy or sell a corresponding amount of underlying asset at the specified price.

The option seller shall perform the corresponding obligations as prescribed by the SSE and CSDC.

Article 99 To exercise an option, the option buyer shall instruct its options intermediary to submit an order to the Exchange.

Article 100 Unless otherwise specified in these *Trading Rules*, an option buyer shall submit the exercise order on the exercise date of its options contract.

The SSE accepts exercise orders during 9:15-9:25, 9:30-11:30, and 13:00-15:30 on the exercise date.

The SSE may adjust the hours for accepting exercise orders in view of market conditions.

Article 101 Each exercise order shall be for the exercise of one or multiples of one contract. If more than one exercise order is submitted in a day, the exercise quantity will be based on the cumulative size of valid orders.

Article 102 An options contract may be exercised on the day it is bought. An exercise order is valid on the day of submission and may be canceled on the same day.

Article 103 Except for the circumstances specified in Article 110 of these *Trading Rules*, the exercise of options contract shall require the delivery of the underlying asset.

Article 104 Before placing an exercise order, an investor shall ensure that during the specified period there will be sufficient contracts, underlying assets, or funds in its account for settlement.

Unless otherwise specified in Article 110 of these *Trading Rules*, if the contracts or underlying assets in the account of the investor are not sufficient to cover all its exercise orders, any excess orders are deemed invalid.

Article 105 Unless otherwise specified in Article 110 of these *Trading Rules*, options intermediaries shall implement front-end check and control over the valid size of clients' exercise orders as well as the sufficiency of underlying assets and funds for exercise.

The valid size of client's exercise orders referred to in the preceding paragraph shall not exceed the amount by which long positions in the options contract in its account exceeds short positions at time of order submission.

Article 106 The SSE sends exercise orders to CSDC following the end of the acceptance period for exercise orders.

CSDC will, at the end of the day, check investors' position holding and the underlying assets for exercise, and assign valid exercise orders pursuant to its rules.

Article 107 If an options contract is subject to a full-day or till-market-close trading halt on its last trading day, the submission of exercise orders will continue as normal and the last trading day, expiration date, and exercise date will not be postponed.

Article 108 The last trading day, expiration date, and exercise date of an options contract shall be postponed accordingly if, with respect to the last trading day:

(1) such day is between the record date and the first day of trade resumption after the subscription payment date for a rights issue on the underlying asset, and the underlying asset is subject to a trading halt on that day, in which case the last trading day shall be postponed to the first day of trade resumption, on which the contract shall expire and be exercised.

(2) the underlying asset will go ex-right or ex-dividend on the trading day following that day, in which case the last trading day shall be postponed to the ex-date, on which the contract shall expire and be exercised.

(3) the listing of the underlying asset has been suspended or terminated before that date, in which case all open contracts in the corresponding option product shall expire and be exercised on the trading day before the last trading day of such underlying asset before the suspension or termination.

(4) the options contract is subject to a temporary trading suspension or temporary market closure by the SSE on that day, and trading is not resumed on that day, in which case the last trading day shall be postponed to the first day of trade resumption, on which the contract shall expire and be exercised.

(5) trades in the options contract have been canceled by the SSE on that day, in which case the last trading day shall be postponed to the next trading day, on which the contract shall expire and be exercised.

(6) there is any other circumstance where the postponement is deemed necessary by the Exchange.

Where the last trading day, expiration date, and exercise date of an options contract are postponed according to the preceding paragraph, any exercise orders accepted before the actual exercise date shall be deemed invalid.

Article 109 The exercise settlement date of an options contract shall be the trading day following its exercise date.

Article 110 Where any of the following events occurs during the exercise of an options contract, the corresponding subset of the contract shall be cash-settled at the cash settlement price published by the Exchange:

(1) the exercise orders of in-the-money put options, as assessed based on the cash settlement price published by the Exchange, have failed the order validity test due to insufficiency of underlying asset which is subject to a full-day or till-market-close trading halt on the exercise date;

(2) there is insufficient underlying asset for settlement because it is subject to a full-day or till-market-close trading halt on the exercise date;

(3) there is any other extraordinary event as provided in Article 80 of these *Trading Rules* or other circumstance where cash settlement is deemed necessary by the Exchange.

Except for the foregoing circumstances, any portion of underlying assets that should but fails to be delivered during settlement shall be cash-settled at the price published by CSDC.

Article 111 Where the underlying asset is a stock, the cash settlement price shall be the volume-weighted average price of the underlying asset during the last 30 minutes of live trading on the latest trading day.

Notwithstanding the foregoing, the cash settlement price shall be the average price of the underlying asset during the latest trading day if no trade is executed during such 30-minute period, or the closing price of the previous trading day if no trade is executed during the entire day.

Article 112 Where the underlying asset is ETF units, the cash settlement price shall be calculated by the following formula:

Cash settlement price = net asset value per unit of the ETF on the previous trading day ×(1 + percentage increase or decrease of the corresponding index on the current day).

In the above formula, increase of the corresponding index shall be positive and decrease shall be negative.

Article 113 If an investor does not have sufficient underlying asset for settlement and holds unexpired covered calls under its contract account, then the corresponding covering securities will be used for settlement on the current day. Any resulting shortfall in the covering securities shall be eliminated by the prescribed time on the following trading day.

The carrying options intermediary shall promptly notify the client to replenish its covering securities.

Article 114 Where an investor defaults in settlement of funds or delivery of securities in relation to the exercise of an option, its carrying options intermediary shall be entitled to charge a default penalty at the level agreed upon in the options brokerage agreement.

Article 115 If an investor does not have sufficient underlying asset for settlement, its carrying options intermediary may use the securities under its own account to fulfill the delivery obligation in accordance with the terms of the options brokerage agreement.

Any options intermediary that performs the delivery obligation according to the preceding paragraph shall submit a exercise instruction to CSDC through the Exchange.

Article 116 An options intermediary shall remind its clients to properly manage their position holding in options contracts on each of the three trading days before the expiration date and keep records of such reminders.

Article 117 Any options intermediary that provides agreed exercise service to clients shall specify, in the options brokerage agreement, the triggering condition and quantity of such exercise, the rights and obligations of each party, and the associated risks, and shall record the specific operating procedures performed for the service.

Article 118 The assignment and settlement of options contracts shall be conducted by CSDC pursuant to its rules.

Chapter VI Risk Control

Article 119 Options trading adopts a margin system.

Margin, comprising clearing deposit and trading margin, is used to settle options contracts or guarantee their exercise. Trading margin is classified into initial margin and maintenance margin.

Margin shall be provided in the form of cash or securities recognized by the SSE and CSDC.

Article 120 Clearing deposit and maintenance margin are collected by the following cascading arrangement:

(1) options intermediaries collect from clients; and

(2) CSDC collect from Clearing Participants.

A Clearing Participant shall collect margin from the options intermediary that has authorized it to settle options trades.

Article 121 The SSE calculates in real time the initial margin amount corresponding to each sell to open order, and will verify the validity of the order based on the intraday margin balance of the corresponding Clearing Participant.

Article 122 The SSE and CSDC will determine and announce to the market the minimum margin rate required.

In case of any adjustment to the margin rate, margins for all short positions in unexpired contracts at market close will be collected at the adjusted rate at day-end clearing.

Article 123 The margin rates imposed by an options intermediary on its clients and by a Clearing Participant on the options intermediaries that have authorized it to settle options shall not be lower than the minimum rate prescribed by the SSE and CSDC. Margin funds shall be deposited in a separate account, separate from proprietary funds and securities.

The margin rate imposed on clients by an options intermediary who has authorized a Clearing Participant to settle options shall not be lower than the rate imposed on the options intermediary by the Clearing Participant.

Article 124 Where an investor implements an options strategy with its position holding, the margin will be collected at the rate specified by the SSE and CSDC.

Article 125 An investor shall submit the orders for implementing or cancelling options strategies through its options intermediary. The content and form of such orders shall meet the requirements of the Exchange.

The SSE accepts orders for implementing and cancelling options strategies during 9:30-11:30 and 13:00-15:15 each trading day.

Such orders will be accepted even if a constituent contract of the options strategy is suspended from trading, provided it is not during a temporary market closure.

Article 126 A Clearing Participant shall, in its own name, open a proprietary securities margin account and a client securities margin account (collectively *securities margin account*) with CSDC to hold the margin submitted in the form of securities (shorted as *securities margin*) for its proprietary trades and brokerage trades, respectively.

The securities in a securities margin account shall be the margin submitted by a Clearing Participant to CSDC to be used for options settlement and exercise.

Article 127 The securities margin will be converted into margin amount at the specified conversion ratio, then aggregated with margin amount submitted in cash, namely, cash margin.

The conversion ratio of securities margin specified by an options intermediary for its clients shall not exceed the ratio specified by the SSE and CSDC.

Article 128 The SSE and CSDC will, in view of market conditions, determine, adjust, and announce to the market the short list and conversion ratio of securities that may be submitted as margin.

Particulars of securities margin will be separately prescribed by the SSE and CSDC.

An options intermediary shall in the options brokerage agreement provide detailed terms on such matters as the submission, administration, and disposal of securities margin.

Article 129 An investor shall submit securities margin transfer-in and transfer-out orders to the SSE through its options intermediary. An options intermediary may submit sell orders on securities margin to dispose of the corresponding amount.

The SSE accepts such orders during 9:30-11:30 and 13:00-15:00 each trading day.

Options intermediaries shall implement front-end control over the securities margin transfer-in and transfer-out orders submitted by investors, and reject those that fail to conform to applicable rules or the options brokerage agreement.

Article 130 Options intermediaries shall strictly follow the requirements on the safekeeping of client margins, properly manage client margin, and perform due reporting obligations. No client margin may be diverted, shared, or used for other purposes in disguised forms.

Securities firms shall report information relating to the safekeeping of client margins to China Securities Investor Protection Fund Co., Ltd., the Exchange, and CSDC pursuant to relevant rules.

Futures firms shall report information relating to the safekeeping of client margins to China Futures Market Monitoring Center, the Exchange, and CSDC pursuant to relevant rules.

Article 131 The SSE enforces position limit for options trading.

The long positions, open interest, and intraday buy to open positions held by any options intermediary or investor with respect to each option product, as well as the total trading value corresponding to the long positions held by an individual investor, shall in each case not exceed the limit specified by the Exchange.

Article 132 The SSE will determine, adjust, and announce to the market the position limits applicable to options intermediaries and investors.

Any options intermediary or investor that needs higher position limits for hedging, brokerage, or market making business shall apply to the SSE for higher quota and shall use the approved quota according to the purposes specified in its application. Particulars on such application will be separately prescribed by the Exchange.

Article 133 Any options intermediary or investor who has reached or exceeded the prescribed limit on the long positions, open interest, or intraday buy to open positions with respect to a single option product, or any individual investor who has reached or exceeded the total trading value corresponding to the long positions held, shall no longer open new positions in the corresponding contracts.

Article 134 An options intermediary shall implement front-end control over its clients' position holding. The options intermediary shall not accept any new position-opening orders from the client whose position has exceeded the limit, and shall immediately notify it to close out the excess positions within a specified period.

Article 135 The SSE may, in view of trading activities and market conditions, restrict the opening of positions in a specific option product or options contract that has met the prescribed conditions.

Article 136 The SSE enforces large position reporting system for options trading.

Options intermediaries and investors who are required by the SSE to report their position holding shall do so within the specified period. Where a client fails to report as required, the carrying options intermediary shall report the client's position holding to the Exchange.

Article 137 Options trading is subject to forced liquidation.

Article 138 A Clearing Participant shall be subject to forced liquidation by CSDC if its clearing deposit falls below zero or its covering securities are insufficient and it fails to eliminate the shortfall or close out its positions within the specified period.

CSDC will delegate the SSE to implement such forced liquidation.

Article 139 If the positions held under an investor's contract account exceeds the position limit prescribed by the SSE and the carrying options intermediary fails to timely force-liquidate the investor's open positions according to the brokerage agreement or as required by the Exchange, the SSE may force-liquidate the investor's positions directly.

If the positions held under an options intermediary's contract account exceeds the position limit prescribed by the SSE and the options intermediary fails to close out excess positions within the time limit specified by the Exchange, the SSE may force-liquidate the options intermediary's positions.

If position over-limit occurs due to reduction of market participants' position limit by the SSE for risk control purposes, or adjustment to a client's position limit by the carrying options intermediary in accordance with the brokerage agreement, or expiration of the approved position quota of an options intermediary or investor, the SSE will not force-liquidate the relevant excess positions.

Article 140 In case any extraordinary event specified in Article 80 of these *Trading Rules* occurs during options trading and will or is likely to cause major trading risks in the options market, the SSE may implement forced liquidation.

In case any extraordinary event specified in Article 80 of these *Trading Rules* occurs during options trading and will or is likely to cause major settlement risks in the options market, CSDC may delegate the SSE to implement forced liquidation.

Article 141 If any client has insufficient margin or covering securities and fails to eliminate the shortfall or close out positions within the period specified by its carrying options intermediary, the options intermediary shall perform forced liquidation.

If a client has exceeded the position limit specified in the options brokerage agreement and fails to close out the excess positions within the specified period, its carrying options intermediary shall perform forced liquidation in accordance with the terms of the options brokerage agreement, except in cases where such position over-limit is due to reduction of market participants' position limit by the SSE for risk control purposes, or adjustment to the client's position limit by the options intermediary in accordance with the brokerage agreement, or expiration of the client's approved position quota.

Article 142 Any profits, losses and related expenses from forced liquidation shall be borne by the directly responsible person or relevant entities.

Article 143 Particulars of forced liquidation will be separately prescribed by the SSE and CSDC.

Each options intermediary shall agree with its clients on the particulars of forced liquidation in the options brokerage agreement.

Article 144 Options trading adopts a risk warning system. The SSE may take such measures as requiring reports from options intermediaries and investors, arranging a warning meeting, issuing written risk warning, issuing risk alert, or any combination thereof.

With respect to any options intermediary or investor subject to any of the above risk warning measures, the SSE may simultaneously impose thereon the risk control measures provided in Article 80 of these *Trading Rules*.

Article 145 The SSE may take the risk control measures provided in Article 80 of these *Trading Rules* against any options intermediary or investor who has breached the law or relevant rules and has caused or is likely to cause material impact on the market.

Article 146 Particulars of risk control in options trading will be separately prescribed by the SSE and CSDC.

Chapter VII Regulation of Trading

Article 147 When engaging in options activities, options intermediaries shall comply with applicable laws, regulations, ministry-level rules, and the rules of the Exchange; operate in good faith and in a compliant manner; and accept the self-regulatory measures of the Exchange.

When participating in options trading, investors shall comply with applicable laws, regulations, ministry-level rules, and the rules of the Exchange, and accept the self-regulatory measures of the SSE as well as the compliant trading requirements of options intermediaries.

Article 148 No insider may engage in options trading using inside information or any other non-public information on the options market or the underlying asset market.

Article 149 No one may manipulate the trading prices or trading volume of options, or influence such prices or volume by manipulating the trading prices or trading volume of the underlying assets of options.

Article 150 The SSE closely monitors the following unusual trading activities:

(1) any activity that is suspected of insider trading, market manipulation, or any other illegal or rule-breaking act;

(2) any options trading activity that is conducted at such timing or in such quantity or manner as restricted by laws, regulations, ministry-level rules, or the rules of the Exchange;

(3) large or numerous wash trades;

(4) large or numerous trades between investors who have delegated and authorized the same institution or individual to trade on their behalf;

(5) extensively or continuously buying or selling options contracts prior to the disclosure of any information which may significantly influence the trading price of options contracts or their underlying assets;

(6) large, continuous, or frequent orders, or orders with prices deviating significantly from the latest trading price as indicated by market data for the relevant options contracts, from one contract account or two or more contract accounts which are suspected to be related;

(7) frequent placement and cancellation of orders, or quick cancellation of recently placed large orders, with the aim of influencing the trading price of options contracts or their underlying assets or misleading other investors;

(8) large or frequent trades at same or similar prices;

(9) large or frequent “buy-high, sell-low” trades;

(10) automated or quick order placement, through a computer program, that may seriously compromise the security of the Exchange’s trading system or the normal trading order;

(11) influencing the trading price of relevant options contracts or their underlying assets through abnormal orders during a price-sensitive period;

(12) trading options in contradiction to the investment analysis, prediction, or recommendation publicly released by oneself;

(13) fabricating, disseminating, or spreading false information to influence the trading price of options contracts or their underlying assets or mislead other investors;

(14) large inter-market or inter-product trades which lead to large fluctuations in the trading prices or trading volume of options;

(15) frequent solicitation of quotes from options market makers and a disproportionately lower executed volume;

(16) options market makers using the contract accounts designated for market making for other purposes; and

(17) other unusual trading activities requiring intensified monitoring at the discretion of the Exchange.

Article 151 Each options intermediary shall develop an effective system for monitoring options trades and funds, closely monitor clients’ trading activities, implement effective front-end control, and prevent the potential unusual trading activities by clients.

Upon discovering any of the unusual trading activities under Article 150 of these *Trading Rules* in a client's options trading, the options intermediary shall promptly notify the client, stop such activity, and report the situation to the Exchange. If such activity nevertheless continues, the options intermediary may take such measures as raising the margin requirement, restricting the opening of new positions, refusing further instructions, or terminating their brokerage relations.

Article 152 In performing the duties of supervision and administration, the SSE may exercise the following powers:

(1) to conduct on-site or off-site investigations on unusual trading activities in the options market;

(2) to examine and copy information or materials relating to options trading;

(3) to investigate and obtain evidences from options intermediaries, investors, custodian banks for options margin funds, and other participants of the options market;

(4) to require representations, explanations, and statements from options intermediaries, investors, custodian banks for options margin funds, and other participants of the options market;

(5) to conduct joint investigations with other institutions such as securities and futures exchanges; and

(6) to exercise other powers necessary for performing self-regulatory duties.

Options intermediaries, investors, custodian banks for options margin funds, and other participants of the options market shall cooperate with the Exchange.

Article 153 During on-site or off-site investigations, the SSE may require options intermediaries and their branch offices to provide the following documents and materials in an accurate, complete, and timely manner:

(1) investors' account opening materials;

(2) investors' trading instructions;

(3) information on the *de facto* controller and operator of an investor's contract account or cash account, source of funds, and description of connections between related accounts;

(4) investors' explanation and description of relevant trading; and

(5) other relevant materials.

Article 154 The SSE may, in view of the severity of the unusual trading activity, impose one or a combination of the following supervisory measures on relevant actors:

(1) issuing a verbal warning;

(2) issuing a written warning;

(3) requiring attendance of a supervisory meeting;

(4) placing the contract accounts on the supervisory watchlist;

(5) requiring the submission of a compliant trading commitment;

(6) suspending the contract accounts during trading hours; or

(7) taking other supervisory measures so prescribed by the Exchange.

Article 155 In serious cases of unusual trading activities, the SSE may impose one or a combination of the following disciplinary sanctions on relevant actors:

(1) restricting trading by the contract accounts;

(2) identifying holders of the contract accounts as unqualified investors; or

(3) imposing other disciplinary sanctions prescribed by the Exchange.

Any person objecting to sanction (1) or (2) above may appeal to the SSE for a review within 15 trading days of receiving the sanction notice. Sanctions shall not be suspended during the review.

Any unusual trading activity suspected of violating laws, regulations, or ministry-level rules will be referred to the CSRC for formal investigation.

Article 156 Any supervisory measures of the SSE against an investor for unusual trading activities shall be implemented by the carrying options intermediary. Options intermediaries shall promptly inform their clients of relevant supervisory information and written decisions of the Exchange.

Article 157 The SSE may impose the corresponding supervisory measures or disciplinary sanctions on an options intermediary who:

(1) fails to perform the obligations of investor suitability management with respect to options investors pursuant to the rules of the Exchange;

(2) fails to manage and implement front-end control over clients' trading activities pursuant to the rules of the Exchange;

(3) fails to establish and implement an effective options risk management system and internal control system;

(4) fails to properly manage client margins and report relevant information in accordance with the requirements on the safekeeping of client funds;

(5) diverts client margins in plain or disguised forms;

(6) fails to communicate and deliver to clients the supervisory information and written decisions of the SSE in an accurate and timely manner;

(7) fails to force-liquidate client positions as required by the SSE or CSDC;

(8) fails to take effective measures to prevent the unusual trading activities of a client;

(9) condones, induces, or assists a client in engaging in abnormal trades;

(10) fails to assist any investigation of a suspected illegal or rule-breaking activity as required by the Exchange, or intentionally delays the investigation or conceals or omits information; or

(11) otherwise violates these *Trading Rules* or the rules of the Exchange.

Article 158 The SSE may impose one or a combination of the following supervisory measures on an options intermediary who violates Article 157 of these *Trading Rules*, depending on the severity of the violation:

(1) issuing a verbal warning;

(2) issuing a written warning;

(3) requiring attendance at a supervisory meeting;

(4) requiring rectification within a specified time limit;

(5) suspending the acceptance or handling of relevant business; or

(6) taking other supervisory measures so prescribed by the Exchange.

Article 159 In case of a severe violation of Article 157 of these *Trading Rules*, the SSE may impose one or a combination of the following disciplinary sanctions on the offending options intermediary:

(1) circulating a notice of criticism;

(2) issuing a public censure;

(3) suspending or restricting trading;

(4) revoking its status as a trading participant;

(5) revoking its membership; or

(6) imposing other disciplinary sanctions so prescribed by the Exchange.

Any options intermediary objecting to sanction (2), (3), (4) or (5) above may appeal to the SSE for a review within 15 trading days of receiving the sanction notice. Sanctions shall not be suspended during the review.

Article 160 Supervisory measures and disciplinary sanctions against options intermediaries and investors shall be implemented pursuant to the rules of the SSE and recorded in their integrity record.

Article 161 At the request of CSDC, the SSE may take such actions against any Clearing Participant in material violation of settlement rules as restricting its proprietary trades or brokerage services.

Chapter VIII Miscellaneous

Article 162 Trading disputes between options intermediaries or between an options intermediary and its client shall be recorded and verified by relevant options intermediaries for future reference by the Exchange. An options intermediary shall promptly report to the SSE any dispute that affects the normal course of trading.

An options intermediary shall coordinate with the clients if the clients have doubt on options trades.

Article 163 Records and operating procedures shall be retained by options intermediaries under these *Trading Rules*. These records shall be retained for no less than 20 years.

Article 164 Trading fees for options contracts are charged on a per-contract basis.

The trading fee is RMB 3 Yuan per contract if the underlying asset is stock, and RMB 2 Yuan per contract if the underlying asset is ETF.

Settlement fees for options trading shall be charged at the rate specified by CSDC.

Article 165 Investors shall pay commissions to options intermediaries pursuant to relevant rules.

Options intermediaries shall pay processing fees and other fees to the SSE pursuant to relevant rules.

Chapter IX Ancillary Provisions

Article 166 The following terms in these *Trading Rules* shall have the meanings given below:

(1) Average daily movement: with respect to underlying asset or the benchmark index, the average ratio of the difference between its intraday high and intraday low to its intraday low over a given time frame.

(2) Benchmark index: the Shanghai Stock Exchange Composite Index.

(3) Option product: the set of all options contracts with the same underlying asset.

(4) Contract type: type of right given by an options contract. The two types are call options and put options.

(5) Call option: an options contract giving its buyer the right to buy an agreed amount of the underlying asset at a specified price on a specified date.

(6) Put option: an options contract giving its buyer the right to sell an agreed amount of the underlying asset at a specified price on a specified date.

(7) Option buyer: an investor holding a long position in an options contract.

(8) Option seller: an investor holding a short position in an options contract.

(9) Long position: the position created with a buy to open order on an options contract.

(10) Short position: the position created with a sell to open order on an options contract or by selling a covered call.

(11) Strike price: the trading price specified in an options contract at which the option buyer exercises its right to buy or sell the underlying asset.

(12) Strike price interval: the difference between the two successive strike prices of options contracts with the same underlying asset.

(13) In-the-money contract: a call option with a strike price that is lower than the market price of the underlying asset, or a put option with a strike price that is higher than the market price of the underlying asset.

(14) Out-of-the-money contract: a call option with a strike price that is higher than the market price of the underlying asset, or a put option with a strike price that is lower than the market price of the underlying asset.

(15) At-the-money contract: a call option or put option with a strike price equaling the market

price of the underlying asset.

(16) Contract size: the quantity of underlying asset corresponding to each contract.

(17) Expiration month: the month when an options contract expires.

(18) Premium: the consideration paid by an option buyer to the seller for an options contract.

(19) Clearing deposit: the funds deposited by a Clearing Participant in a margin account for settlement of options trades and not yet used.

(20) Maintenance margin: the funds deposited by a Clearing Participant in a margin account to guarantee exercise and already been used.

(21) Initial margin: the intraday margin required for each sell to open order which is calculated upon the submission of the order and deducted in real time if the order is valid.

(22) Covered call: an investor locks up in advance a certain amount of underlying asset and then sells the corresponding call options such that there will be full amount of securities available for delivery upon the exercise of the options.

(23) Reserved covering securities: the underlying asset in the securities account of an investor that is submitted for a covered call and locked by the SSE throughout the trading day.

(24) Covering securities: the underlying asset in the securities account of an investor that is being used to cover a covered call and locked by CSDC for delivery.

(25) Sell to open using cash margin: an investor sells a call option or a put option using margin as exercise guarantee.

(26) Ordinary limit order: an order to buy a contract at a specified or lower price or sell a contract at a specified or higher price. An ordinary limit order is effective on the day of submission and any unmatched portion may be canceled.

(27) Market-to-limit order: an order to buy or sell an options contract at the best executable price on the market, with the unmatched portion, if any, converted to an ordinary limit order at the last trading price of the same trading side. If the order cannot be filled at all, it is either converted to a limit order at the best quote of the same trading side or, absent such a quote, canceled.

(28) Immediate-or-cancel market order: an order to buy or sell an options contract at the best executable price on the market, with the unmatched portion, if any, canceled automatically.

(29) Fill-or-kill limit order: an order to buy or sell an options contract at a specified price or better. If the order cannot be immediately and fully filled, it is canceled automatically.

(30) Fill-or-kill market order: an order to buy or sell an options contract at the best executable

price on the market. If the order cannot be immediately and fully filled, it is canceled automatically.

(31) Close position: an investor enters into an opposite trade to close a contract he holds.

(32) Trading volume: the buying or selling volume of an options contract. Buying volume is the total volume of executed buy to open, buy to close, and close covered call orders; selling volume is the total volume of executed sell to open, sell to close, and open covered call orders.

(33) Assignment: CSDC specifies, pursuant to its rules, the specific accounts that need to perform the exercise obligations among the contract accounts holding short positions.

(34) Agreed exercise service: the service provided by an options intermediary, per the terms of options brokerage agreement, for submitting exercise orders for a client when the options contracts in the client's contract account meet agreed conditions.

Article 167 The time specified in these *Trading Rules* refers to the time kept by the Exchange's trading system.

Article 168 For the purpose of these *Trading Rules*, "not less than," "not more than," "within," and "reach" shall include the given number; "exceed," "under," "less than," "lower than," and "smaller than" shall exclude the given number.

Article 169 These *Trading Rules* and its amendments shall take effect following adoption by the Board of Governors of the SSE and approval of the CSRC.

Article 170 The SSE reserves the right to interpret these *Trading Rules*.

Article 171 These *Trading Rules* shall be implemented as of the date of release.