Implementing Rules of the Shanghai Stock Exchange for Margin Trading and Securities Lending Transactions

(Revised in 2023)

Chapter I General Provisions

Article 1 These *Implementing Rules* are formulated in accordance with the *Measures for the Administration of Margin Trading and Securities Lending Business of Securities Companies*, the *Trading Rules of Shanghai Stock Exchange,* and applicable business rules of the Shanghai Stock Exchange (the "SSE") to regulate margin trading and securities lending transactions, maintain an orderly securities market, and protect the legitimate rights and interests of investors.

Article 2 For the purpose of these *Implementing Rules*, the term "margin trading and securities lending transaction" refers to an investor's purchase of securities with funds borrowed against collateral from a securities company who is a member of the SSE ("member") or sale of securities borrowed against collateral from the member.

Article 3 These *Implementing Rules* are applicable to margin trading and securities lending transactions on the SSE. Matters not covered herein shall be governed by the *Trading Rules of the Shanghai Stock Exchange* and other applicable rules of the SSE.

Chapter II Business Process

Article 4 The SSE manages the rights to engage in margin trading and securities lending transactions. A member who applies for the right to engage in margin trading and securities lending transactions on the SSE shall submit to the SSE a written application accompanied by:

(1) a Securities Business Permit and other related approval documents issued by the China Securities Regulatory Commission ("CSRC"), approving it to conduct the margin trading and securities lending business;

(2) documents related to its implementation plan and internal management rules for the margin trading and securities lending business;

(3) a list of its senior officers and business personnel responsible for the margin trading and securities lending business and their contact details; and

(4) other materials as required by the SSE.

Article 5 A member who intends to engage in margin trading and securities lending transactions on the SSE shall establish a securities lending account, a securities collateral account, a margin lending account, and a margin collateral account pursuant to applicable rules and, within 3 trading days after their establishment, report those accounts to the SSE for record purposes.

Article 6 Each member shall strengthen the performance of its client suitability obligation, specify requirements on assets, trading experience, etc. which its clients must meet to participate in margin trading and securities lending transactions, and guide them to have a full understanding of the characteristics of the margin trading and securities lending business before participating in such transactions in accordance with applicable laws and regulations.

The member shall not open any credit account for any client who has securities trading experience of less than half a year, falls short of risk tolerance, reports a daily average of less than RMB 500,000 securities assets within the last 20 trading days, or has a record of major defaults, and for the member's any shareholders or affiliates.

Professional institutional investors who intend to participate in margin trading and securities lending transactions may be exempt from the requirements on securities trading experience and securities assets as set forth in the preceding paragraph.

The shareholders as referred to in the second paragraph of this Article shall not include those who merely hold less than 5% of the free float stocks of the member who is a listed company.

Article 7 Before lending funds or securities to its client, a member shall execute a contract and a risk disclosure statement for margin trading or securities lending transactions with the client pursuant to applicable rules and open a securities credit account and a margin credit account for such client.

Article 8 An investor who intends to enter into a margin trading and securities lending transaction on the SSE shall select a member according to applicable rules to establish a securities credit account for it/him.

The securities credit account shall be established or cancelled in accordance with the applicable rules of the member and the relevant securities registration and clearing institution.

When opening a securities credit account for the client, the member shall declare the participant business unit number proposed to be used for the client's designated trading. The designated trading application of the securities credit account shall be handled by the relevant securities registration and clearing institution.

Article 9 If a member's right to engage in margin trading and securities lending transactions is revoked, the member shall terminate its margin trading and securities lending contracts with its clients as agreed and shall not enter into any new margin trading and securities lending transaction.

Article 10 Margin trading and securities lending transactions shall be executed through auction trading.

After accepting a margin trading or securities lending instruction from its client, a member shall place an order, in such format as required by the SSE, which shall include, inter alia, the client's securities credit account number, code of the participant business unit, code of the security, trading direction, price, quantity, and margin trading or securities lending flag.

Article 11 The size of an order to buy a stock or fund with borrowed funds or sell a borrowed stock or fund shall be in 100 shares (units) or a multiple thereof.

The size of an order to buy a stock or bond listed on the Science and Technology Innovation Board of the SSE (the "STAR Market") with borrowed funds or sell a borrowed STAR Market-listed stock or bond shall be determined in accordance with the *Trading Rules of Shanghai Stock Exchange* and the *Implementing Rules of Shanghai Stock Exchange on Bond Trading*.

Article 12 The price of an order to sell a borrowed security shall not be lower than the last executed price of the security; in the absence of any trade on the current day, the price of such order shall not be lower than the previous closing price of the security. Any such order with a price lower than any of the above prices shall be invalid.

If, during its/his securities lending transaction, an investor, through securities accounts owned or controlled by it/him, holds a security identical to the borrowed one to be sold by it/him, the price at which the security so held is to be sold within the quantity of the borrowed one shall be subject to the requirements of the preceding paragraph.

The sale of borrowed exchange-traded funds (ETFs) or any other securities recognized by the SSE shall be exempt from the requirements of the preceding two paragraphs of this Article.

Article 13 The SSE will not accept any market order to sell a borrowed security.

Article 14 After purchasing a security with funds borrowed from a member, a client may repay the borrowed funds to the member by selling the purchased security or making direct payment.

The repayment of the borrowed funds by selling the purchased security is a method where funds derived from the execution of the client's order, placed through its/his securities credit account, to sell the purchased security is directly transferred into the member's margin lending account at the time of settlement.

The repayment of the borrowed funds, if effected by making direct payment, shall be specifically handled as agreed by the member and the client.

Article 15 After selling a security borrowed from a member, a client may return the borrowed securities to the member by purchasing the security or directly using the security in its/his possession.

The return of the borrowed security by purchasing the security is a method where the security purchased by the client through its/his securities credit account is directly transferred into the member's securities lending account at the time of settlement.

The return of the borrowed security, if effected by directly using the security in the client's possession, shall be specifically handled as agreed by the member and the client and in accordance with applicable rules of the relevant securities registration and clearing institution.

If the borrowed security sold by the client is suspended from trading, the client may return the borrowed security to the member by using cash or other means as agreed by them.

Article 16 Proceeds from the sale of a security purchased with funds borrowed under an outstanding margin trading contract shall first be used to repay the borrowed funds.

Article 17 Prior to the settlement of its/his security lending transaction, an investor shall not use proceeds from the sale of its/his borrowed security for any purposes other than for:

(1) purchasing the security to return the borrowed security;

(2) paying interest and expenses incurred in relation to its/his margin trading and securities lending transactions and making cash compensation for interests related to the securities lending transaction;

(3) purchasing or subscribing for cash management products of securities companies or money market funds, or purchasing bond ETFs listed on the SSE (excluding those that track an index whose constituent bonds include convertible bonds) or other highly-liquid securities recognized by the SSE. A member may, based on market conditions, adjust the list of the said assets available for investors' purchase or subscription; or

(4) other purposes as prescribed by the CSRC or the SSE.

Article 18 A margin trading or security lending contract between a member and a client shall has a term of up to 6 months from the day on which the funds or securities borrowed from the member are actually used by the client.

Prior to the expiration of the contract, the member may, upon the request of the client, extend the contract, provided that each such extension shall not exceed 6 months.

Before extending the contract, the member shall evaluate the credit standing, liabilities, maintenance collateral ratio, and other aspects of the client.

Article 19 A member shall not use its securities lending account to purchase and/or sell securities.

Article 20 An investor shall not use its/his securities credit account to purchase or receive any securities other than those usable as margin, or to participate in private secondary offerings, subscription or redemption of stock ETFs and bond ETFs, bond repos, etc.

Article 21 If a client fails to provide to a member sufficient collateral on time or repay the member debts arising from margin trading and securities lending transactions as they fall due, the member may dispose of the client's collateral as agreed and, if the proceeds derived therefrom are not enough to cover such debts, may recover the shortfall against the client.

Article 22 If a member intends to force-liquidate the positions of a client as agreed, the member shall place a forced liquidation order, in such format as required by the SSE, which shall include, among others, the client's securities credit account number, code of the participant business unit, code of the security, trading direction, price, quantity, and liquidation flag.

Chapter III Underlying Securities

Article 23 The following securities listed on the SSE may be recognized by the SSE as eligible to be used as the underlying security of a margin trading or securities lending transaction ("underlying security"):

(1) stocks;

(2) securities investment funds;

(3) bonds; and

(4) other securities.

Selection and determination of underlying securities by the SSE does not represent the SSE's substantive judgement or guarantee as to the investment value of these securities or investors' return on these securities.

Article 24 A stock that is initially publicly offered under the registration-based IPO system can be treated as an underlying security as from its first day of listing.

Article 25 If an underlying security is a stock other than those specified in Article 24 hereof, the stock shall:

(1) have been listed on the SSE for more than 3 months;

(2) in the case of the purchase of the underlying stock with borrowed funds, have an outstanding share capital of no less than 100 million shares or a free-float market capitalization of no less than RMB 500 million; or in the case of the sale of the borrowed underlying stock, have an outstanding share capital of no less than 200 million shares or a free-float market capitalization of no less than RMB 800 million;

(3) be held by no less than 4000 shareholders;

(4) not be involved in any of the following circumstances within the last 3 months:

i. its average daily turnover rate is lower than 15% of that of the benchmark index and its average daily trading value is less than RMB 50 million;

ii. its average daily price variation deviates from that of the benchmark index by more than 4%; or

iii. its volatility is more than 5 times that of the benchmark index.

(5) have an issuer who has completed the equity division reform;

(6) have not been placed under special treatment by the SSE; and

(7) meet other conditions as prescribed by the SSE.

Article 26 If an underlying security is an ETF, the ETF shall:

(1) have been listed for more than 5 trading days;

(2) have an average daily asset size of no less than RMB 500 million within the last 5 trading days;

(3) be held by no less than 2000 unit holders; and

(4) meet other conditions as prescribed by the SSE.

Article 27 If an underlying security is a listed open-end fund, the fund shall:

(1) have been listed for more than 5 trading days;

(2) have an average daily asset size of no less than RMB 500 million within the last 5 trading days;

(3) be held by no less than 2000 unit holders;

(4) have its units not involved in any circumstances where they are split, combined or otherwise converted; and

(5) meet other conditions as prescribed by the SSE.

Article 28 If an underlying security is a bond, the bond shall:

(1) have a total par value of more than RMB 100 million when only the quantity of the bond under custody is included;

(2) mature in more than one year;

(3) have a credit rating of AA or above; and

(4) meet other conditions as prescribed by the SSE.

Article 29 The SSE will determine a list of underlying securities by selecting them from securities meeting the requirements hereof, with a view to relax the selection criteria requirements, increase the number of underlying securities, and expand their scope, and shall announce the list to the market.

The SSE may, based on market conditions, modify the selection criteria for and the list of underlying securities.

Article 30 A list of underlying securities released by a member to its clients shall not exceed the scope of underlying securities announced by the SSE.

Article 31 If an underlying security is suspended from trading, a member and its client may, as agreed by them, terminate their margin trading or security lending contract related thereto.

If the underlying security suspended from trading resumes trading after the due date of any debt arising from in the margin trading or security lending transaction, the margin trading or security lending contract may be extended for a specific period as agreed upon by the member and the client.

Article 32 If an underlying stock is placed under special treatment, the SSE will exclude it from the scope of underlying securities from the day on which it is placed under special treatment.

If a stock that is initially publicly offered under the registration-based IPO system is released from special treatment, the SSE will include the stock in the scope of underlying securities from the day of release.

Article 33 If an underlying security has entered the delisting process, the SSE will exclude it from the scope of underlying securities from the day on which its issuer makes an announcement thereon.

Article 34 After a security is excluded from the scope of underlying securities, any margin trading or security lending contract related thereto that has not been terminated prior to the exclusion shall remain in full force and effect. The member and its client to the contract may, as agreed by them, terminate the contract in advance.

Chapter IV Margin and Collateral

Article 35 In the event of a margin trading or security lending transaction, a member shall collect from the client a margin equaling to a certain percentage of the value of the margin trading or security lending transaction. Stocks, securities investment funds, and bonds listed on the SSE, money market funds, securities companies' cash management products, and other securities recognized by the SSE may be used as the margin.

Article 36 Securities usable as margin shall be discounted as follows based on their market value or net value to calculate the amount of the margin:

(1) the discount rate shall be no more than 70% for SSE 180 Index constituent stocks or

65% for other A-shares stocks;

(2) the discount rate shall be no more than 90% for ETFs;

(3) the discount rate shall be no more than 95% for cash management products of securities companies, money market funds, and treasury bonds;

(4) the discount rate shall be 0% for securities placed under special treatment or under delisting process, and for A-share stocks with a static P/E ratio of over 300 or below zero, and for warrants; and

(5) the discount rate shall be no more than 80% for other listed securities investment funds and bonds.

Article 37 The SSE will prudently review, select, and determine a list of securities usable as margin and shall announce the list to the market.

The SSE may, based on market conditions, modify the list of securities usable as margin and their discount rates.

Article 38 A list of securities usable as margin released by a member shall not exceed the scope of securities usable as margin announced by the SSE.

The member shall, based on liquidity, volatility, and other indicators, implement dynamic management of and differentiated control over the discount rates for securities usable as margin.

The discount rates for securities usable as margin announced by a member shall not be higher than those prescribed by the SSE.

Article 39 When buying a security with borrowed funds, an investor shall be subject to a margin rate of no less than 100%.

The margin rate for margin trading transaction refers to the ratio of the margin the investor deposits at the time of the margin trading transaction to the value of such transaction, as calculated as follows: margin rate for margin trading transaction = margin/ (the quantity of the security purchased with borrowed funds × purchase price) ×100%.

Article 40 When selling a borrowed security, an investor shall be subject to a margin rate of no less than 50%.

The margin rate for security lending transaction refers to the ratio of the margin an investor deposits at the time of the security lending transaction to the value of such transaction, as calculated as follows: margin rate for security lending transaction = margin/ (the quantity of the borrowed security sold × sale price) ×100%.

Article 41 The margin used by an investor for a margin trading or security lending transaction shall not exceed its/his available margin balance.

The available margin balance refers to the balance of the total amount of an investor's margin, including cash, the discounted market value of securities usable as margin, and the discounted value of floating profits arising from margin trading and security lending transactions, less the margin used by the investor for outstanding margin trading or security lending transactions and related interest and expenses, as calculated as follows: available margin balance = cash + ∑ (market value of securities usable as margin × discount rate) + ∑ [(market value of the security purchased with borrowed funds - value of such security purchased) × discount rate] + ∑ [(value of the borrowed security sold - market value of such security sold) × discount rate] - ∑value of the borrowed security sold - ∑ value of the security purchased with borrowed funds× margin rate for margin trading transaction - ∑ market value of the borrowed security sold× margin rate for security lending transaction - interest and expenses.

In the above formula, value of the borrowed security sold = quantity of the borrowed security sold ×sale price, and market value of such security sold = quantity of the borrowed security sold ×market price, in which the quantity of the borrowed security sold is the quantity of the security which is not returned after the sale of the borrowed security; in ∑ [market value of the security purchased with borrowed funds - value of such security) × discount ratio] and ∑ [(value of the borrowed security sold - market value of such security sold) × discount rate], the discount ratio is the one applicable respectively to margin trading and security lending transactions, and shall be 100% if the market value of the security purchased with borrowed funds is lower than its value or if the value of the borrowed security sold is higher than its market value.

Article 42 Margin collected by a member from its client as well as all securities purchased by the client with funds borrowed from the member and all proceeds derived from the sale of securities borrowed from the member shall, as a whole, serve as the client's collateral for debts arising from the client's margin trading and securities lending transaction with the member.

Article 43 A member shall conduct the overall monitoring of collateral provided by its client and calculate the client's maintenance collateral ratio. The maintenance collateral ratio refers to the ratio of the value of the client's collateral to debts arising from its/his margin trading and securities lending transactions, as calculated as follows:

Maintenance collateral ratio = (cash + the total market value of securities within the securities credit account + the value of other collateral) / (the value of the security purchased with borrowed funds + quantity of the borrowed security sold × current market price + total of interest and expenses).

In the above formula, other collateral refers to any collateral recognized by the member other than cash and securities within the securities credit account, which is submitted by the client when the client's maintenance collateral ratio falls below the minimum maintenance collateral ratio, and the value of which shall be calculated via the valuation method agreed upon by the member and the client or determined based on the valuation results recognized by them.

If any security within the client's securities credit account is excluded from the scope of securities usable as margin, suspended from trading, placed under special treatment or involved in any other special circumstances, or is in transit due to such reasons as the handling of interests, the member may, when calculating client's maintenance collateral ratio, determine the market value of such security based on its fair value or any other pricing method as agreed upon with by them.

Article 44 A member shall, based on such factors as market conditions, its client's credit standing, and its own risk management capability, prudentially evaluate and agree with the client upon the minimum maintenance collateral ratio.

If the client's maintenance collateral ratio falls below the minimum maintenance collateral ratio, the member shall send a collateral call to require the client to provide additional collateral within the agreed time limit. The client may submit to the member, as other collateral, securities other than those usable as margin, real property, equity, and other property or property rights legally usable as collateral, after they are recognized by the SSE.

The member may agree with the client upon the maintenance collateral ratio requirements applicable after the collateral call.

Article 45 If a client's maintenance collateral ratio exceeds 300% when being calculated only based on cash and the total market value of securities within its/his securities credit account, the client may withdraw cash and securities usable as margin from its/his available margin balance, provided that the maintenance collateral ratio so calculated shall be no lower than 300% thereafter.

If the maintenance collateral ratio exceeds the value agreed upon by its/his member and the client, the client may release other collateral, provided that the maintenance collateral ratio after such release shall be fall below the value agreed upon by them.

Except as otherwise provided by the SSE, the client may, as described above, withdraw cash and securities usable as margin or release other collateral.

Article 46 The SSE may, if it deems necessary, adjust the level of margin rate for margin trading transaction, margin rate for security lending transaction, and maintenance collateral ratio, and shall announce the adjusted level to the market.

Article 47 The margin rate for margin trading transaction, margin rate for security lending transaction, and maintenance collateral ratio published by a member shall not be lower than those prescribed by the SSE.

Article 48 Any security over which security interests or other third-party rights have been created or which is subject to juridical enforcement measures such as seizure and freezing shall be neither submitted by an investor as collateral nor lent by a member to its client.

Article 49 A member shall strengthen the monitoring and management of its client's collateral and monitor the market value of a single security in the client's collateral as a percentage of the total market value of the client's collateral.

If the market value of a single security in the client's collateral represents a certain percentage of the total market value of its/his collateral, the member shall, as agreed with the client, suspend accepting the client's order to borrow funds from the member for purchase of such security or take other risk control measures.

Chapter V Disclosure and Reporting

Article 50 A member shall report to the SSE intraday data with respect to each underlying security in accordance with the requirements of the SSE, such as the quantity of the security purchased with borrowed funds, the repaid amount of the borrowed funds, the outstanding amount of the borrowed funds, the sold quantity of the borrowed security, the returned quantity of the borrowed security, and the unsold quantity of the borrowed security.

The member shall ensure the truthfulness, accuracy and completeness of the data so reported.

Article 51 Before the market open on each trading day, the SSE will, based on data reported by members, announce to the market:

(1) trading information on margin trading and security lending transactions in a single underlying security on the previous trading day, including, but not limited to, the quantity of the security purchased with borrowed funds, the outstanding amount of the borrowed funds, the sold quantity of the borrowed security, the unsold quantity of the borrowed security; and

(2) information on the total volume of market-wide margin trading and securities lending transactions on the preceding trading day.

Chapter VI Risk Control

Article 52 If the margin trading control indicator of a single stock reaches 25%, the SSE may suspend the purchase of such stock with borrowed funds on the next trading day and shall announce the suspension to the market. If the margin trading control indicator of such stock falls below 20%, the SSE may resume such purchase on the next trading day and shall announce the resumption to the market.

If the margin trading control indicator of a single ETF reaches 75%, the SSE may suspend the purchase of such ETF with borrowed funds on the next trading day and shall announce the suspension to the market. If the margin trading control indicator of such ETF falls below 70%, the SSE may resume such purchase on the next trading day and shall announce the resumption to the market.

The margin trading control indicator as described above is the ratio of the lesser of "the outstanding amount of the borrowed funds with respect to the underlying security reported by the member" and "the market value of the underlying security held in the credit account" to the free-float market capitalization of the underlying security.

Article 53 If the unsold quantity of a borrowed stock reaches 25% of the free float of such stock, the SSE may suspend the sale of the borrowed stock on the next trading day and shall announce the suspension to the market. If the unsold quantity of such borrowed stock falls below 20% of the free float, the SSE may resume such sale on the next trading day and shall announce the resumption to the market.

If the unsold quantity of a borrowed ETF reaches 75% of the free float of such ETF, the SSE may suspend the sale of such borrowed ETF on the next trading day and shall announce the suspension to the market. If the unsold quantity of such borrowed ETF falls below 70% of the free float, the SSE may resume such sale on the next trading day and shall announce the resumption to the market.

Article 54 The SSE will monitor margin trading and securities lending transactions on the market. In case of any unusual margin trading or securities lending transactions or continuous significant market movements, the SSE may take any of the following actions as appropriate and shall announce the action(s) taken to the market:

(1) adjusting the eligibility requirements for and scope of underlying securities;

(2) adjusting the discount ratio for securities usable as margin;

(3) adjusting the margin rate for margin trading or security lending transaction;

(4) adjusting the maintenance collateral ratio;

(5) suspending the purchase of a specific underlying security with borrowed funds or the sale of a borrowed specific underlying security;

(6) suspending margin trading or securities lending transactions on a market-wide basis; or

(7) any other action as the SSE deems necessary.

Article 55 If a major risk event occurs to an underlying security, the SSE may, as appropriate, exclude the security from the scope of underlying securities and make an announcement thereon to the market. After the major risk event is eliminated, SSE may, as appropriate, include the security in the scope of underlying securities and make an announcement thereon to the market.

Article 56 In case of any unusual trading activities in connection with margin trading or securities lending transactions, the SSE may, if appropriate, take such actions as restricting trading by the securities account involved.

Article 57 Members shall, as required by the SSE, monitor the margin trading and securities lending transactions of their clients and voluntarily and timely report to the SSE any unusual margin trading and securities lending transactions of the clients.

Article 58 The SSE may, as necessary, inspect the internal control system, business operation standards, risk control measures, and safe operation of trading systems of members with respect to the margin trading and securities lending business and their compliance with the applicable business rules of the SSE.

Article 59 If a member violates these *Implementing Rules*, the SSE may take supervisory measures and disciplinary sanctions against the member in accordance with applicable rules and suspend or revoke the right of such member to engage in margin trading or securities lending transactions on the SSE.

Chapter VII Miscellaneous

Article 60 When providing margin trading and securities lending services to an investor, a member shall require the investor to report information such as its/his holdings of lock-up stocks and any existing stocks released from lock-up and whether it/he is a director, supervisor, senior officer of a listed company or a shareholder who holds more than 5% shares of a listed company. The member shall verify information reported by the investor and perform corresponding front-end control of the investor.

Article 61 An investor who holds the lock-up stocks of a listed company shall neither sell the stocks of such listed company through securities lending transactions nor submit as collateral the lock-up stocks of such listed company held in its ordinary securities account.

A member shall not submit, as securities available to be lent, lock-up stocks held in its ordinary securities account.

Article 62 An individual investor who holds any existing stocks of a listed company released from lock-up shall not submit as collateral the stocks of such listed company it holds.

Article 63 A director, supervisor, senior officer of a listed company or a shareholder who holds more than 5% shares of a listed company shall not enter into any margin trading or security lending transaction the underlying security of which is the stock of such listed company.

Shares that an investor obtains through the strategic placement of the initial public offering of a stock under the registration-based IPO system cannot be sold through securities lending transactions by the investor and its affiliates during the lock-up period committed by the investor, except as otherwise provided by the SSE.

Article 64 A member shall not include stocks, held through its securities collateral account, into its own stocks and is not required to perform any corresponding reporting, disclosure or tender offer obligation due to changes in the number of stocks in such account.

When the total quantity of stocks of a listed company and interests therein held by them through ordinary securities account and securities credit account or any change in such quantity reaches the prescribed level, an investor and its/his persons acting in concert shall legally perform any corresponding reporting, disclosure or tender offer obligation.

Article 65 A member may, in its own name and for the benefit of its client, exercise rights against the issuer of any security recorded in its securities collateral account. The member shall seek the opinion of the client before exercising the rights against the issuer, remind the client to abide by applicable voting rules such as withdrawal from voting on related matters, and exercise the rights according to the client's opinion. In the absence of an opinion of the client, the member shall not exercise the rights against the issuer.

The rights against the issuer as mentioned in the preceding paragraph refer to rights arising from holding the issuer's security, such as those to call for a meeting of security holders, participate in security holder meetings, present proposals, vote, subscribe for stocks to be allocated, and request the distribution of investment returns.

Article 66 The handling of interests in respect of securities in a member's securities collateral account, such as distribution of dividends and rights issues, shall comply with the *Measures for the Administration of Margin Trading and Securities Lending Business of Securities Companies* and the applicable rules of the relevant securities registration and clearing institution.

Article 67 Except as otherwise provided by the SSE, the provisions of these *Implementing Rules* on margin trading and securities lending transactions of stocks shall apply, *mutatis mutandis*, to matters related to margin trading and securities lending transactions of depositary receipts.

Chapter VIII Supervisory Provisions

Article 68 For the purpose of these *Implementing Rules*, the following terms shall have the meanings given below:

(1) "Securities assets" refer to transaction settlement funds, stocks, bonds, funds, and securities companies' asset management schemes, and other assets held by investors.

(2) "Cash management products" refer to asset management schemes or other form of products with an investment focus on money market instruments, created and managed by securities companies and their asset management subsidiaries for brokerage clients and placed under the custody of China Securities Depository and Clearing Corporation Limited, which are purchasable by the clients using their available funds on any day and allow the clients to use their redeemed funds for securities trading on the day of redemption.

(3) "Average daily turnover rate" refers to the average of the daily turnover rates of an underlying security or the benchmark index within the last 3 months.

(4) "Average daily price movement" refers to the average of the daily price variations of an underlying security or the benchmark index within the last 3 months.

(5) "Volatility" refers to the ratio of the difference between the highest price and the lowest price of an underlying security or the benchmark index within the last 3 months to the

average of the two prices.

(6) "Benchmark index" refers to the SSE Composite Index.

(7) "Static P/E ratio" refers to the ratio of the closing price of a stock to the audited basic earnings per share of the corresponding listed company in the most recent financial year.

(8) "Unusual trading activities" refers to any unusual trading activities prescribed in the *Trading Rules of Shanghai Stock Exchange* and other business rules of the SSE.

(9) "Free-float market capitalization of a securities investment fund" refers to the product of its daily closing price and its units after daily clearing; in the event of a dividend distribution or unit split or merger, the free-float market capitalization refers to the product of its ex-right (ex-dividend) reference price and its units after daily clearing.

(10) "Existing lock-up stocks" refer to the stocks, subject to a lock-up period, of companies which have completed the equity division reform and are listed on the SSE which are subject to a lock-up period or the pre-IPO stocks issued by companies listed on the SSE after the time point when the IPO stocks of companies are no longer divided into tradable and non-tradable ones.

(11) "Directors, supervisors, senior officers of a listed company" refer to the incumbent or outgoing directors, supervisors, senior officers of the company who, in accordance with laws, regulations, ministry-level rules, and other normative documents, are restricted from transferring their stocks of the company.

(12) "Professional institutional investors" refer to financial institutions established with the approval of the national financial regulator, including, but not limited to, commercial banks, securities companies, fund management companies, futures companies, trust companies, and insurance companies; financial products managed by the foregoing financial institutions; private fund management institutions registered with the CSRC or its authorized agency and their managed private fund products; and other investors recognized by the CSRC.

Article 69 An investor may, only after stocks issued on the Shenzhen stock market and allocated on the Shanghai stock market, which are held by it/him through its/his Shanghai ordinary security account, are transferred into its/his Shenzhen ordinary security account, submit such stocks as collateral for margin financing and securities lending transactions.

The investor may, only after stocks issued on the Shanghai stock market and allocated on the Shenzhen stock market, which are held by it/him through its/his Shenzhen ordinary security accounts, are transferred into its/his Shanghai ordinary security accounts, submit such stocks as collateral for margin financing and securities lending transactions.

Article 70 Specific rules with respect to the clearing and settlement of the margin trading and securities lending transactions entered into hereunder shall be as prescribed by the relevant securities registration and clearing institution.

Article 71 For the purpose of these *Implementing Rules*, the terms "exceed", "below" and "lower than" shall not include the given figure, and the terms "more than", "less than" and "reach" shall include the given figure.

Article 72 The SSE reserves the right to interpret these *Implementing Rules*.