

Member Management Rules of the Shanghai Stock Exchange

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Member Management Rules of the Shanghai Stock Exchange

(Revised in 2019)

Chapter I General Provisions

1.1 These *Rules* are formulated in accordance with the *Securities Law of the People's Republic of China*, the *Regulations on the Supervision and Administration of Securities Companies*, the *Regulations on the Risk Disposal of Securities Companies*, the *Measures for the Administration of Stock Exchanges*, and other applicable laws, administrative regulations, ministry-level rules, normative documents as well as the *Constitution of the Shanghai Stock Exchange* (“*Constitution*”) to regulate securities trading and business activities related thereto by the members of the Shanghai Stock Exchange (the “SSE”), ensure the safety of trading, maintain an orderly securities market, protect the legitimate rights and interests of investors, and promote the healthy and stable development of the securities market.

1.2 These *Rules* are applicable to the ordinary members (“members”) of the SSE. Rules for the management of special members will be separately developed by the SSE.

1.3 When engaging in securities trading and business activities related thereto on the SSE, a member shall abide by applicable laws, administrative regulations, ministry-level rules, normative documents as well as the *Constitution* and business rules of the SSE, act in good faith, maintain compliance operation, and accept the self-regulation of the SSE.

1.4 The directors, supervisors, senior officers, member representatives, member business contacts, and other relevant personnel of a member shall abide by applicable laws, administrative regulations, ministry-level rules, normative documents as well as the *Constitution* and business rules of the SSE, faithfully and diligently perform their duties, and accept the self-regulation of the SSE.

1.5 The SSE will, pursuant to the *Constitution*, these *Rules*, and its other business rules, exercise self-regulation of members and their directors, supervisors, senior officers, member representatives, member business contacts, and other relevant personnel.

1.6 When engaging in securities trading and business activities related thereto on the SSE, a member shall manage the trading activities of itself and its clients to prevent risks from rule-breaking or unusual trading activities and contribute to the maintenance of an orderly securities market.

Chapter II Membership Management

Section 1 Qualification Management

2.1.1 A domestic securities institution may apply to become a member of the SSE if:

(1) it has obtained a securities and futures business permit and engages in securities brokerage, securities underwriting and sponsoring, or any other securities business as approved by the China

Securities Regulatory Commission (CSRC);

- (2) it has legally obtained a business license for incorporated enterprise from the competent registration authority;
- (3) it maintains good reputation and business performance;
- (4) its organizational structure and business personnel meet the requirements of the CSRC or the SSE;
- (5) it has well-established risk management and internal control rules;
- (6) it has qualified premises, business facilities and technical systems;
- (7) it acknowledges and complies with the *Constitution* and business rules of the SSE and agrees to pay membership fee as required; and
- (8) it meets any other requirements as prescribed by the CSRC or the SSE.

2.1.2 When applying for the membership of the SSE, a securities institution shall submit to the SSE:

- (1) a written application;
- (2) the approval documents for its incorporation;
- (3) its securities and futures business permit;
- (4) its business license for incorporated enterprise;
- (5) its articles of association;
- (6) the personal data of its directors, supervisors and senior officers;
- (7) the respective name, capital contribution, shareholding ratio, business scope, registered capital, registered office, legal representative, and other information of its shareholders holding more than 5% of its total stocks and *de facto* controllers;
- (8) the respective name, capital contribution, shareholding ratio and other information of its controlled domestic and foreign subsidiaries; and
- (9) other documents required by the SSE.

The securities institution shall submit the above-mentioned documents in such manner and according to such requirements as prescribed by the SSE.

2.1.3 If a securities institution has submitted all the required application documents, the SSE

will accept its application and, within 10 trading days from the date of acceptance, decide whether to approve the application.

The SSE shall, upon approving the application, issue a membership certificate to the securities institution, publish an announcement thereon and, within 5 working days of the approval, report the approval to the CSRC for record purposes.

2.1.4 When applying for registration of its name change, a member shall submit to the SSE:

- (1) a written application;
- (2) the approval documents for such change;
- (3) its updated securities and futures business permit;
- (4) its updated business license for incorporated enterprise;
- (5) its updated articles of association;
- (6) its membership certificate; and
- (7) other documents required by the SSE.

2.1.5 If a member has submitted all the required documents when applying for registration of its name change, the SSE will accept its application and, within 10 trading days from the date of acceptance, issue a new membership certificate to the member and publish an announcement thereon.

2.1.6 A member shall apply to the SSE for termination of its membership if:

- (1) it no longer engages in relevant securities business on the SSE market due to the legal revocation of its relevant securities business permit by the CSRC;
- (2) it is legally revoked or ordered to shut down by the CSRC;
- (3) it is approved by the CSRC to dissolve;
- (4) it is unable to continue the performance of its normal trading and settlement obligations;
- (5) it decides to terminate its membership; or
- (6) it otherwise fails to meet the membership requirements as prescribed in the *Constitution* of the SSE or these *Rules*.

Under the circumstance as described in Item (1), (2) or (3) of the preceding Paragraph, the member shall, within 30 trading days after receiving the decision of the CSRC, apply to the SSE for termination of its membership.

2.1.7 When applying to terminate its membership, a member shall submit to the SSE:

- (1) a written application;
- (2) relevant approval documents or written decisions;
- (3) its membership certificate;
- (4) a description of the disposal of its business operations; and
- (5) other documents required by the SSE.

2.1.8 If a member has submitted all the required documents when applying for termination of its membership, the SSE will accept its application and, within 10 trading days from the date of acceptance, decide whether to approve the application.

2.1.9 If a member fails to apply for termination of its membership in accordance with Article 2.1.6 hereof, the SSE may decide to revoke its membership and shall give a written notice of such decision to the member.

If the member disagrees with such decision, it may, within 15 trading days upon receipt of such notice, apply to the SSE for a review of such decision.

2.1.10 If the SSE approves a member's application for termination of its membership or decides to revoke its membership, the SSE will deregister its membership, publish an announcement thereon and, within 5 working days from the date of the SSE's approval or decision, report the same to the CSRC. The member's membership certificate shall become invalid as of the date of the deregistration.

2.1.11 If the SSE deregisters a member's membership, the member shall timely perform relevant procedures and pay up its payable fees.

2.1.12 If a trustee or receiver is legally designated by the CSRC for a member, the trustee or any other relevant institution shall, when exercising its right to manage the member's securities trading business placed under its trusteeship, ensure that the member assumes relevant obligations in accordance with the rules of the SSE.

Section 2 Management of Seats, PBUs and Trading Rights

2.2.1 A member shall obtain and maintain at least one seat on the SSE.

2.2.2 The SSE sets a limit on the total number of seats and will make no addition to such number.

A member may obtain a seat from another member by transfer.

2.2.3 A seat obtained by a member can be transferred upon the approval of the SSE, but

shall be neither returned to the SSE nor leased or pledged.

2.2.4 A member shall be entitled to trade securities on the SSE market and, after obtaining its membership, become a trading participant of the SSE.

The member shall participate in securities trading through its participant business unit (“PBU”) opened at the SSE.

2.2.5 The SSE will, based on the following circumstances of members and pursuant to applicable business rules, manage their trading rights through PBUs:

- (1) their business scope;
- (2) their market risk tolerance;
- (3) the state of their trading and related systems;
- (4) their internal risk control;
- (5) their staffing;
- (6) their compliance with the business rules of the SSE; and
- (7) their other aspects as prescribed by the SSE.

2.2.6 When managing the trading rights of members, the SSE may set, adjust or limit the scope of instruments the trading of which on the SSE they can participate in, their participation methods, and the volume of such instruments allowed for such participation.

2.2.7 Upon the SSE’s approval, a member may make its PBU available to any other party in a manner approved by the SSE.

If making its PBU available to any other party, the member shall effectively enhance the management of the PBU and require the user to strictly observe rules regarding the use of PBUs and participate in securities trading in compliance with laws and regulations.

2.2.8 Detailed rules regarding the management of PBUs, trading rights, etc. will be separately prescribed by the SSE.

Section 3 Member Representative and Member Business Contact

2.3.1 A member shall have one member representative to communicate with the SSE on behalf of the member and be responsible for organizing and coordinating all business dealings with the SSE.

The member representative of the member shall be any of its senior officers.

The member shall provide convenience for the member representative to perform his/her duties, and its directors, supervisors, senior officers and relevant personnel shall cooperate with the member representative in his/her performance of duties.

2.3.2 A member shall have several member business contacts who are authorized by its member representative to fulfill the duties to:

- (1) timely, accurately, and completely receive notices and messages issued by the SSE and submit documents and materials as required by the SSE;
- (2) handle matters related to the application of membership, seats, PBUs and trading rights, etc.;
- (3) coordinate the building, upgrading and testing of the member's trading and related systems connecting to the SSE's systems;
- (4) handle matters related to the SSE, such as the member's trading compliance management, risk control, client management, and investor education, etc.;
- (5) cause the member to timely fulfill its reporting and announcement obligations; and
- (6) do other things as required by the SSE.

2.3.3 A member shall nominate its member representative and member business contacts to the SSE.

When nominating its member representative, the member shall submit to the SSE:

- (1) its nomination documents;
- (2) the appointment certificate for the senior officer to be nominated as the member representative; and
- (3) contact details of such senior officer.

A member business contact shall be qualified to engage in securities business activities. When nominating its member business contacts, the member shall submit to the SSE documents listed in Items (1) and (3) of the preceding Paragraph and their securities practitioner qualification certificates.

2.3.4 If a member has submitted all the required nomination documents for its member representative and member business contacts, and the SSE fails to, within 5 trading days upon receipt of such documents, dispute the nomination, the SSE shall be deemed to have agreed to the nomination.

If necessary, the SSE will arrange training programs for the member representative and member business contacts.

2.3.5 A member shall immediately replace its member representative or member business contact and within 5 trading days, report the matter to the SSE if:

- (1) the member representative is no longer a senior officer;
- (2) the member representative or member business contact has failed to perform his/her duties for more than 3 consecutive months;
- (3) the member representative or member business contact has made a gross mistake in the performance of his/her duties, resulting in grave consequences;
- (4) the member representative or member business contact is involved in other circumstances where the SSE considers him or her as unsuitable to continue to serve as such.

If the member refuses to replace the member representative or member business contact involved in any of the circumstances listed in the preceding Paragraph, the SSE may require the member to do so.

2.3.6 When applying to replace its member representative or member business contact, a member shall submit the documents listed in Article 2.3.3 hereof to the SSE.

2.3.7 In the absence of its member representative, a member shall have its legal representative or any other senior officer designated by the legal representative to perform the duties of the member representative and timely report the matter to the SSE until the member nominates a new member representative.

Section 4 Reports and Announcements

2.4.1 A member shall timely fulfill its reporting obligation in accordance with the requirements of these *Rules* and other business rules of the SSE. The member shall ensure the truthfulness, accuracy and completeness of its information and materials submitted to the SSE.

2.4.2 A member shall submit, prior to April 30 of each year, the audited financial statements for the previous year and any annual report materials required by the SSE.

2.4.3 A member shall, within 5 trading days upon the occurrence of any of the following circumstances, report such circumstance to the SSE:

- (1) there are any changes in documents submitted by it in accordance with Item (3), (4), (6), (7) or (8) of Article 2.1.2 hereof;
- (2) it establishes, acquires or withdraws any branch, changes the address or head of any branch, modify the important clauses of its articles of association, is merged or divided, or changes its legal form;
- (3) its risk control indicators such as net capital fail to meet the thresholds prescribed by the CSRC;

(4) the individual amount or total amount (within 12 months) of external guarantees provided by it equals to more than 10% of its latest audited net assets;

(5) the amount or total amount (within 12 months) involved in litigation and arbitration proceedings equals to more than 10% of its latest audited net assets;

(6) it or any of its directors, supervisors or senior officers is under the investigation of the competent authority or subject to administrative or criminal punishment for a suspected violation of laws or regulations;

(7) it replaces its accounting firm;

(8) any resolution of its shareholders' meeting, shareholders' general meeting or board of directors is legally revoked or declared invalid; or

(9) any other matters as prescribed by the CSRC or the SSE.

2.4.4 Upon the occurrence of any of the following circumstances, a member shall report the circumstance to the SSE immediately and on an ongoing basis:

(1) any major business risk that affects trading activities in the market;

(2) any major technical accident in its trading and related systems that leads to the interruption of trading activities or any major unusual situation;

(3) any force majeure event or accident that affects the normal trading activities of its clients;
or

(4) initiation of the procedures for disposal of risks which causes the CSRC to take actions against the member, such as requiring it to suspend business for internal rectification, placing it under trusteeship or receivership, ordering it to conduct administrative restructuring, or revoking it; or

(5) any other major events affecting the member's normal operation.

If the member is involved in the circumstance listed in Item (1), (2), (3) or (4) of the preceding Paragraph, it shall immediately publish an announcement thereon at its premises, on its official website or through other means.

Section 5 Fees for Members

2.5.1 A member shall, for such items, at such rates, and in such methods as prescribed by the SSE, pay its payable fees on time.

2.5.2 If a member defaults in the payment of its payable fees, the SSE may, if appropriate, suspend the acceptance or handling of its relevant business requests.

2.5.3 If a trustee or receiver is legally designated by the CSRC for a member, the member shall, as required by the SSE, pay fees incurred to ensure the continuity of its securities trading. If the member fails to pay such fees on time, the SSE may take corresponding measures as appropriate.

Chapter III Management of Securities Trading and Related Businesses

3.1 A member who engages in the securities trading business shall establish a mechanism for its trading compliance management and internal risk control and management, improve its business processes and technical means, effectively manage its own and its clients' trading activities, and prevent any unusual or illegal or rule-breaking trading activities.

3.2 A member who engages in the securities brokerage business shall enter into a securities brokerage agreement with its client and, pursuant to the requirements of the SSE's business rules, accept and execute the client's securities trading orders.

In the brokerage agreement, the member and client shall specify their rights and obligations and provide for the provision of the client's materials, management of trading rights of the client's account, verification of trading orders, handling of unusual trading activities, rejection of client's trading orders, termination of brokerage relationship, and other matters.

3.3 A member shall, pursuant to the brokerage agreement with its client, reject the client's trading order, suspend the provision of trading services to the client, or terminate the brokerage relationship with the client if:

- (1) the client uses its/his securities account in violation of laws and regulations;
- (2) the client commits any unusual trading activity that severely disrupts the orderly trading activities or any trading activity that is suspected to violate laws and regulations;
- (3) the client frequently commits unusual trading activities;
- (4) the client refuses to, as required or agreed, provide its/his identity and trading information, information on the *de facto* controller of its/his account, and other information to a regulatory authority or the member; and
- (5) the client is involved in any other circumstances where, pursuant to the business rules of the SSE or in the opinion of the member, it is necessary to do so.

3.4 When establishing a securities brokerage relationship with its client, a member shall take necessary measures to fully understand the client's basic information, financial status, securities investment experience, trading demands, and risk preference, etc.

For each financial product, the member shall also understand the key elements of the financial product contract, such as product structure, product term, and yield characteristics, and information related to investment advisors, *de facto* controllers, *de facto* beneficiaries, and other parties as well as the approval, registration, and other aspects of the financial product.

3.5 A member shall keep complete, accurate and detailed records or proof of funds and securities in its clients' accounts as well as their order and execution data, manage such funds, securities, and data in separate account for each client, and provide account reconciliation and inquiry services to each client.

3.6 A member shall take effective measures to keep secure its clients' account opening materials, order and trade records, settlement documents, client trading terminal information, and other materials for at least 20 years and protect the same from being lost, destroyed, forged or manipulated.

3.7 A member shall keep confidential its clients' information, unless otherwise stipulated by laws, administrative regulations, ministry-level rules or normative documents.

3.8 A member shall make or withdraw a designated trading arrangement for its client pursuant to the applicable rules of the SSE and shall not unreasonably delay in doing so or refuse to do so.

3.9 A member who engages in the securities proprietary business shall do so through its securities proprietary account and, within 3 trading days from the date of opening of such account, report such account to the SSE for record purpose.

The member shall neither lend its own securities proprietary account to any other party, nor borrow any other party's account to engage in the securities proprietary business.

3.10 A member who engages in the securities asset management business shall, within 3 trading days from the date of opening of its securities account for asset management, report such account to the SSE for record purpose.

3.11 When engaging in the securities proprietary business or securities asset management business, a member shall verify funds, securities, price, and other information involved in each trading order to ensure the compliance of the trading order with the rules of the SSE and timely identify and prevent business risks. Any such trading order shall be verified by any department of the member other than its securities proprietary department or securities asset management business department.

In the event of any unusual trading activity during the member's securities proprietary business, securities asset management business, or other securities business, the member shall timely take effective measures to manage such unusual trading activity and report the same to the SSE.

3.12 A member who participates in securities trading on the SSE by making product and business innovations through its securities proprietary account or asset management account, etc. shall, as required by the SSE, report to the SSE for record purpose the details of such innovations and information on related investment advisors, the *de facto* operators and beneficiaries of the account, and other parties.

3.13 A member who engages in securities margin trading and short selling, collateral repo trading, agreed repo trading, stock collateralized trading, or any other securities business shall comply with the rules of the SSE, strengthen internal control, and strictly prevent and control risks.

3.14 A member who engages in the securities investment advisory business shall establish a quality review mechanism and publication procedures for its research reports, ensure the legality and compliance of its information sources and the availability of reasonable base for its analysis conclusions, and fully disclose investment risks to avoid misleading the market and causing unusual fluctuations in the price of relevant securities.

3.15 A member who engages in the Shanghai-Hong Kong Stock Connect Northbound Trading Link or any other cross-border business shall, in accordance with the rules of the SSE, enhance internal control and client management and fully disclose cross-border investment risks to its clients to protect the legitimate rights and interests of investors.

3.16 A member who engages in the stock options trading business shall establish and strictly implement sound compliance and risk management rules for its stock options business to protect the legitimate rights and interests of investors.

3.17 A member who engages in securities underwriting and sponsoring, securities issuance, securities trusteeship, fund sales or any other business shall prevent business risks in strict accordance with applicable rules of the SSE.

3.18 A member shall strengthen the management of its clients' securities accounts; shall not provide convenience for others to use such accounts, in violation of applicable laws and regulations, for securities trading; and if detecting any unusual events, such as the suspected involvement of such accounts in illegal or rule-breaking trading activities or the inconsistency of the use of such accounts with information thereon submitted to the member, shall timely verify the events and report them to the SSE.

3.19 A member shall establish a sound information isolation system, take effective measures to manage businesses that create a conflict of interests, and strictly control sensitive information and prevent such information from being misused.

3.20 A member shall, as required by the SSE, participate in training programs on securities trading and related businesses and techniques.

3.21 Upon receiving regulatory documents from a regulatory authority, a member shall keep them confidential and shall not disclose them to any third party without the permission of the regulatory authority.

Chapter IV Client Management

Section 1 Client Trading Activities

4.1.1 A member shall earnestly fulfill its duties in managing its clients' trading activities and, following the requirements to "know your client before its/his trading, monitor its/his trading activities on an ongoing basis, and report any unusual trading activities after the trading", develop sound rules governing the management of their trading activities and guide them to participate in securities trading on the SSE market in accordance with laws and regulations.

4.1.2 A member shall designate a department to be specifically responsible for its efforts to manage and cooperate with the SEE in exercising self-regulation of its clients' trading activities,

provide training to relevant personnel, and set assessment criteria for the implementation of such efforts.

4.1.3 A member shall fully know its clients, obtain information on its clients, and require them to warrant the truthfulness, accuracy, and completeness of their information.

4.1.4 Upon receiving a client's securities trading orders, a member shall check the client's identity and the trading authorization of the client's account, verify the trading qualification, funds, securities, price, and other matters involved in each such trading order, examine whether the client's funds and securities are adequate, and make sure that each such trading order complies with the rules of the SSE.

4.1.5 A member shall improve its trading surveillance and monitoring system by setting appropriate surveillance indicators and pre-warning parameters to surveil and monitor its clients' trading activities and identify their unusual trading activities.

The member shall timely analyze any suspected unusual trading activities detected during the surveillance and monitoring process. If judging and determining the trading activities of any client as unusual, the member shall inform, remind and warn the client thereof. If the client commits any unusual trading activity that may severely disrupt the orderly trading activities or any trading activity that is suspected to violate laws and regulations, the member shall reject the client's trading order pursuant to its agreement with the client and timely report such trading activity to the SSE.

If the client is involved in questionable circumstances such as an unusual increase in assets in its/his account or in the value of trades executed through the account, the member shall timely verify and analyze the circumstances and, in the case of a suspected violation of laws and regulations, timely report such suspected violation to the SSE.

4.1.6 A member shall establish corresponding rules and procedures for cooperating with the SSE's self-regulatory efforts in order to facilitate investigations carried out by the SSE and, as required by the SSE, timely provide truthful, accurate and complete information on its clients.

If the SSE takes self-regulatory measures against any client, the member shall timely communicate such self-regulatory measures to the client, cooperate with the SSE in exercising self-regulation of the client's trading activities, and take effective measures to manage the client's trading activities.

If receiving any supervisory documents from the SSE when cooperating with the SSE's self-regulatory efforts, the member shall take actions in strict compliance with the supervisory documents.

4.1.7 A member shall, as required by the SSE, specify the priorities of its trading monitoring efforts and take responsive measures to put under greater trading surveillance, monitoring and management key supervised accounts and securities and its key branches.

4.1.8 A member shall properly keep all records for management of its clients' trading activities, and regularly aggregate information regarding client management records and unusual trading activities from its branches.

4.1.9 The SSE will establish an evaluation mechanism for members' management of their clients' trading activities to comprehensively evaluate the members' performance in managing their clients' trading activities and cooperating with the SSE's self-regulatory efforts, etc.

The SSE will, based on the evaluation results, conduct on-site or off-site inspection of any member and may, based on the reevaluation or inspection results, take corresponding supervisory measures or disciplinary sanctions against any member.

4.1.10 The SSE may, in an appropriate form, honor or incentivize any members who have outperformed other members in complying with and implementing rules regarding the management of client trading activities.

Section 2 Client Suitability

4.2.1 A member shall fulfill its client suitability obligation in accordance with laws, administrative regulations, ministry-level rules, normative documents as well as the *Constitution* and business rules of the SSE and when providing products or services on the SSE market ("products or services") to its clients, effectively comply with the client suitability requirements of applicable laws and regulations and the applicable business rules of the SSE, such as investor eligibility conditions, risk disclosure methods.

The member shall refuse to provide products or services to any client who fails to meet the prescribed investor eligibility conditions. The investor eligibility conditions include, but are not limited to, an investor's asset size, income level, risk identification capability, risk tolerance, and minimum investment subscription amount.

4.2.2 A member shall have in place client suitability rules and develop a mechanism for managing clients and product or service risks by category.

4.2.3 A member shall, following the principle of "knowing your client", evaluate its clients' risk perception and tolerance to manage the clients by category.

4.2.4 A member shall understand information on the products or services that it intends to provide to its clients, including, among others, the details, nature, risk/return profile of and business rules governing the products or services.

4.2.5 Subject to the investor eligibility conditions, a member shall match its clients with suitable products or services based on their risk tolerance and determine the categories and scope of the eligible clients according to the risk/return profile, investment objectives, and other factors of the products or services in order to provide suitable products or services to suitable clients.

4.2.6 When providing products or services to its client, a member shall describe in detail information about them to the client, explicitly inform the client of their risk/return profile, fully disclose to the client investment risks and potential conflicts of interests and, in accordance with the applicable business rules of the SSE, execute a risk disclosure statement with the client.

4.2.7 A member shall dynamically keep track of its clients, continuously evaluate the risk tolerance of any clients who have purchased or applied for high risk products or services and through a combination of methods, disclose trading risks to them and guide them to make rational

investment.

4.2.8 A member shall, pursuant to applicable rules, record in paper or electronic form and keep secure information and materials related to the fulfilment of its client suitability obligation.

Section 3 Investor Education

4.3.1 A member shall, pursuant to applicable rules, effectively implement its investor education efforts and guide investors to participate in securities trading in a rational manner and improve their risk prevention awareness and self-protection capability.

4.3.2 A member shall establish a robust investor education system by incorporating its investor education efforts into each business process, setting up an investor education position, specifying the duties of such position, providing training on investor education to its employees, and guaranteeing the availability of financial and human resources for investor education purpose.

4.3.3 The investor education of a member shall cover:

- (1) securities laws and regulations and policies and the business rules of the SSE;
- (2) securities investment knowledge and skills;
- (3) securities products and business and their risk/return profile;
- (4) cases of illegal or rule-breaking activities in the securities market;
- (5) macroeconomic policies and industry development trends;
- (6) exercise of investors' rights and handling of their demands and disputes; and
- (7) other matters related to investor education.

The member may, based on the implementation of its own investor education efforts and considering changes in market conditions, timely make addition or adjustment to the coverage of such efforts to ensure the timeliness and effectiveness of such efforts.

4.3.4 A member shall, considering the categories of investors, prioritize the communication of securities investment knowledge and risks, etc. to investors who open a new account or participate in the trading of new stocks or any relevant new business of the SSE and provide responsive investor education to them to enhance their risk prevention awareness.

4.3.5 When investors legally exercise their rights, such as claiming compensation as relief or participating in online voting at the shareholders' meeting of a listed company, a member shall, pursuant to applicable rules, provide support and convenience to them in order to protect their legitimate rights and interests.

4.3.6 The SSE may, based on market conditions, organize and hold investor education activities. Members shall actively cooperate and assist SSE in organizing such activities.

4.3.7 The SSE will inspect, guide, supervise, coordinate, serve, and evaluate members in the implementation of their investor education efforts to make them increase efforts on investor education.

Chapter V Management of Securities Trading Information

5.1 The SSE will have exclusive rights to the underlying information arising from trading activities on the SSE market and information products produced by processing the underlying information. To use the securities trading information of the SSE, a member shall enter into an agreement with the SSE or its authorized institution and comply with the rules of the SSE regarding the management of securities trading information.

5.2 A member shall transmit securities trading information via any communication systems approved by the SSE or its authorized institution.

5.3 A member shall timely and accurately publish securities trading information at its premises or any client trading platforms such as an online securities brokerage trading platform to make such information available for its clients to trade securities.

5.4 Without the permission of the SSE or its authorized institution, a member shall not:

- (1) provide, with or without payment, securities trading information to its clients for any activity other than their own securities trading;
- (2) provide, with or without payment, such information to any other institution or person other than its clients;
- (3) use such information in places other than its premises or any client trading platforms such as an online securities brokerage trading platform; or
- (4) use such information in any other ways prohibited by the business rules of the SSE or any other authorization agreement.

5.5 A member shall, in its securities trading brokerage agreement, specify and inform its client that securities trading information is not permitted to be used in any activity other than the client's own securities trading and shall effectively manage the client's use of securities trading information.

If detecting that its client's use of securities trading information damages the interests of the SSE, the member shall timely take effective measures to stop the use and report the matter to the SSE.

Chapter VI Management of Trading and Related Systems

6.1 A member shall, pursuant to the requirements of the CSRC and the business rules of the SSE, establish trading and related systems and develop rules regarding their safe operation and management.

The construction, operation and maintenance of the interfaces of a member's trading and related

systems with the SSE shall comply with any technical management specifications prescribed or approved by the SSE or its authorized institution.

6.2 The performance, capacity and scalability of a member's trading and related systems shall accommodate its business development and the demands of the market to ensure the continuous and stable operation of such systems.

6.3 To use the services for trading and related systems provided by the SSE or its authorized institution, a member shall enter into an agreement with the SSE or its authorized institution.

6.4 A member shall, in accordance with the technical specifications and business requirements of the SSE or its authorized institution, upgrade the software and hardware of its trading and related systems, participate, as required, in tests organized by the SSE or its authorized institution, and timely report the results thereof to the SSE.

The upgrading and testing of the member's trading and related systems shall not interrupt the normal trading activities.

6.5 A member shall include into its trading and related systems such functions as verifying the effectiveness of trading orders and managing the trading rights of clients' accounts to ensure that any trading orders submitted to the SSE comply with the business rules of the SSE.

6.6 A member shall establish sound management rules and operational procedures for the day-to-day operation and maintenance of its trading and related systems to ensure the safe and stable operation of such systems.

6.7 A member shall put in place a backup system and communication line for its trading and related systems and take effective management measures to ensure the availability of the backup system and communication line in the event of any incident or disaster.

6.8 A member shall establish management rules regarding the backup and recovery of data to strictly manage the security and confidentiality of business, system, and other data generated during its securities trading and timely back up and store off site such data.

6.9 A member shall regularly inspect the security and stability of its trading and related systems, develop an emergency plan and, as required by the SSE or its authorized institution, conduct regular or temporary emergency drills.

6.10 If a major failure or any other factor of a member's trading and related systems affects trading activities on the securities market, the member shall immediately take effective measures to cure it and timely report the matter to the SSE.

6.11 A member shall take technical measures to segregate its trading and related systems from its other technical systems and its trading communication network from its other application networks.

6.12 A member shall ensure the security of its connectivity to the trading and related systems of the SSE and without the consent of the SSE or its authorized institution, shall not engage in any activity irrelevant to the securities business through the trading and related systems of the SSE

during the trading hours.

6.13 A member shall, pursuant to the rules of the CSRC and the SSE, enhance the management of external access to its trading information system as well as program trading activities and, as required by the SSE, report information thereon to the SSE for record purpose.

Chapter VII Dispute Resolution

7.1 A member shall designate a specific department to accept client complaints and be primarily responsible for handling client complaints, establish a sound complaint handling mechanism, publish procedures for and progress in the handling of such complaints and, as required by the SSE, report to the SSE trading-related client complaints and the results of its handling thereof.

7.2 In the event of any major unusual trading circumstance caused by a force majeure event, accident or technical failure, a member shall, as stipulated by the applicable business rules of the SSE, verify the circumstance, timely report it to the SSE and, as required by the SSE, actively cooperate with the SSE in dealing with it.

7.3 Members shall properly resolve and keep a record of business disputes with any other members and clients for future inspection by the SSE.

7.4 In the event of any business disputes between members or between members and their clients which may affect the normal trading of securities, the members involved shall, within 2 trading days upon the occurrence of such disputes, report the disputes to the SSE.

7.5 Members may resolve their business disputes through mutual agreement, or by applying to a securities and futures dispute mediation institution for mediation or an arbitral institution for arbitration, filing a legal action at a people's court, or any other means.

Chapter VIII Supervision and Inspection

8.1 The SSE may, if necessary, conduct on-site and off-site supervision and inspection of members' compliance with the *Constitution* and business rules of the SSE and report the results thereof to the CSRC.

8.2 The SSE may, in accordance with the principle of prudential regulation, require members to conduct self-inspection of their securities trading and other business activities and submit a special self-inspection report to the SSE.

8.3 The SSE will, on a real time basis, monitor the securities trading activities of members and their clients, with a focus on unusual trading activities that may affect the trading price or volume of securities.

8.4 The SSE may, if necessary, take day-to-day supervisory measures against members, such as making a verbal inquiry, requiring an explanatory report within a specified time limit, accessing related materials, and carrying out on-site inspection.

8.5 The SSE may, if appropriate, take the following supervisory measures against any member who has violated these *Rules* or other applicable rules of the SSE:

- (1) giving a verbal warning;
- (2) giving a written warning;
- (3) arranging a supervisory talk;
- (4) requiring rectifications to be made within a specified time limit;
- (5) suspending the acceptance or handling of relevant business requests; and
- (6) other supervisory measures as stipulated by the SSE.

When taking supervisory measures listed in Item (2) to (5) of in the preceding Paragraph, the SSE may notify the CSRC or its corresponding regional office.

8.6 If any director, supervisor, senior officer, member representative, member business contact or other related personnel of a member is held responsible for the members' rule-breaking activities, the SSE may, if appropriate, take supervisory measures listed in Items (1), (2) and (3) of Article 8.5 against him/her.

8.7 Members shall cooperate with the SSE during its supervision by timely giving explanations and providing relevant business statements, account books, trade records, original vouchers, account opening materials and other documents, as required by the SSE, and by refraining from refusing to provide or delay in providing relevant materials for any reason, or from providing false, misleading or incomplete materials.

Chapter IX Disciplinary Sanctions

9.1 If a member violates these *Rules* or any other applicable rules of the SSE, the SSE may, depending on the severity of the violation, take one or more of the following disciplinary sanctions against the member:

- (1) circulating a notice of criticism;
- (2) publishing a public censure;
- (3) assessing punitive damages;
- (4) suspending or restricting trading rights;
- (5) cancelling trading rights; or
- (6) revoking membership; or

(7) other disciplinary sanctions as prescribed by the SSE.

When taking the above disciplinary sanctions, the SSE may notify the CSRC or its corresponding regional office.

If the member is subject to the disciplinary sanction listed in Item (4), (5) or (6) of the first Paragraph, the member shall, within 5 trading days upon receipt of the SSE's decision of such disciplinary sanction, publish an announcement thereon at its premises, on its official website or through other means.

9.2 If any of a member's directors, supervisors, senior officers, member representative, member business contacts or other relevant personnel is held responsible for the member's non-compliance, the SSE may, depending on the severity of such non-compliance, take the following disciplinary sanctions against him/her:

- (1) circulating a notice of criticism;
- (2) publishing a public censure; and
- (3) other disciplinary sanctions as prescribed by the SSE.

If any director, supervisor or senior officer of the member has been subject to disciplinary sanctions by the SSE for three times in total during the past 36 months, the SSE may request the CSRC to identify him/her as an unsuitable candidate for such position.

9.3 Prior to making a decision to impose the disciplinary sanction listed in Item (2), (3), (4), (5) or (6) of the first Paragraph of Article 9.1 hereof or Item (2) of the first Paragraph of Article 9.2 hereof against any party, the SSE shall, pursuant to applicable rules, deliver to the party a notice of its intention to do so, stating the party's right to request a hearing. Procedures for and matters related to the hearing shall be governed by the applicable rules of the SSE.

9.4 If a member disagrees with the SSE's decision to take the disciplinary sanction listed in Item (2), (3), (4), (5) or (6) of the first Paragraph of Article 9.1 hereof, or any of a member's directors, supervisors, senior officers, member representative, member business contacts and other relevant personnel disagrees with the SSE's decision to take the disciplinary sanction listed in Item (2) of the first Paragraph of Article 9.2 hereof, it or he may, within 15 trading days from the date of receipt of the SSE's decision of such disciplinary sanction or announcement of such decision (whichever is earlier), apply to the SSE for a review of the decision. During the review, the decision shall continue to be enforced, unless otherwise stipulated in the business rules of the SSE.

Matters related to the review shall be governed by the applicable rules of the SSE.

Chapter X Supplementary Provisions

10.1 Foreign securities institutions that engage in the trading of domestically listed foreign stocks, securities service providers that are established domestically by foreign stock exchanges to

participate in the trading of securities on the SSE, securities companies that are eligible to participate in the stocks and futures business of the SSE, and other institutions recognized by the SSE, if meeting the SSE's requirements for such matters as technical systems and related facilities, business and risk management and internal control rules, may participate in securities trading by establishing a PBU or any other ways as stipulated in the applicable business rules of the SSE, become other trading participants of the SSE, and accept the SSE's self-regulation.

Any other trading participants who participate in securities trading on the SSE shall be subject to the provisions hereof regarding such matters as the compliance management and risk control of members and their management of client trading activities and suitability, securities trading information, and trading and related systems and have in place systems for establishing a business relationship with or reporting major business risks or technical accidents to the SSE, etc.

The SSE may, by reference to the provisions hereof regarding the supervision and inspection of and the imposition of disciplinary sanctions against members, take supervisory measures or disciplinary sanctions against any other trading participant who has violated these *Rules* or the business rules of the SSE.

10.2 In these *Rules*, the following terms shall have the meanings given below:

- (1) Ordinary Member: refers to any domestic securities institution legally incorporated as a legal person that has been admitted as a member by the SSE in accordance with these *Rules*.
- (2) Special Member: refers to any foreign securities institution's representative office in China that meets the requirements of the CSRC and has been admitted as a member by the SSE.
- (3) PBU: refers to a basic business unit, established after an application for its establishment is approved by the SSE, which participates in securities trading on the SSE and accepts the supervision of and services from the SSE.
- (4) Securities Trading: refers to the trading of securities and their derivatives.
- (5) Unusual Trading Activity: refers to any unusual trading activity prescribed in the *Trading Rules of the Shanghai Stock Exchange* and other business rules of the SSE;
- (6) Securities Trading Information: refers to real-time quotations, securities indices, trading data, public information on securities trading, and other information which have been created during the centralized trading of securities and their derivatives on the SSE in accordance with applicable rules and processed by the SSE;
- (7) Major technical accident: refers to any major technical accident as specified in the business rules of the SSE's members regarding the management of their trading and related systems;
- (8) Trading and Related Systems: refer to any trading system, quotation system, communication system, backup system, and other related systems.

The meanings of any terms undefined in these *Rules* shall be determined in accordance with laws, administrative regulations, ministry-level rules, normative documents, and the applicable

business rules of the SSE.

10.3 These *Rules*, as formulated or amended, shall be adopted by the Board of Governors of the SSE and approved by the CSRC.

10.4 The SSE shall reserve the right to interpret these *Rules*.

10.5 These *Rules* shall be implemented from the date of issuance.