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

Chapter I General Provisions

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

1.2 The *Trading Rules* shall apply to the listing, trading, exercise, and risk management of stock option contracts ("options" or "option contracts") on the Shenzhen Stock Exchange ("SZSE" or "the Exchange"). Any matter not specified in the *Trading Rules* shall be subject to other applicable rules of the Exchange.

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

1.3 SZSE organizes option trading based on the principles of transparency, fairness, justice, and good faith, and conducts self-regulation over the activities related to option trading at the Exchange.

Option intermediaries, investors, and other participants of option trading shall be subject to the *Trading Rules* as well as other rules of the Exchange, and accept the supervision and administration of SZSE with respect to their option trading.

1.4 China Securities Depository and Clearing Co., Ltd. ("CSDC") shall be in charge of the settlement of option contracts listed on the Exchange.

Chapter II Option Contracts

2.1 Stocks and ETFs listed on SZSE as well as other securities approved by the China Securities Regulatory Commission ("CSRC") could be prescribed as the underlying asset of an option contract ("underlying asset").

2.2 A single stock shall meet the following conditions when selected as an underlying asset:

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

(2) has been listed for no less than 6 months;

(3) has an average daily movement over the preceding 6 months not more than 3 times of 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 6 months;

(5) meets other requirements prescribed by the Exchange.

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

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

(2) has been established for no less than 6 months;

(3) has been held by an average of at least 4,000 accounts each day in the last 6 months;

(4) meets other requirements prescribed by the Exchange.

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

SZSE may adjust the option contracts terms in view of market needs.

2.5 An option 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 the *Trading Rules*, the last trading day and exercise date of an option contract is its expiration date as may be advanced or postponed.

Chapter III Listing and Quotation

3.1 SZSE determines the option classes to be listed based on the selected underlying asset and the number of each product to be quoted on according to the combination of contract type, expiration months, and strike prices.

3.2 Upon expiration of option contracts in the current month, SZSE will list corresponding option 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, SZSE will, as of the following trading day, list contracts with updated strike prices based on the strike price interval.

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

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

Adjusted coefficient = [closing price of underlying asset on the day prior to the ex-right date (ex-dividend date) × (1 + percentage change in shares)] / [(closing price of underlying asset on the day prior to the ex-right (ex-dividend date) - cash dividend) + rights issue price × percentage change in shares]

Adjusted contract size = old contract size × adjusted coefficient

Adjusted strike price = old strike price / adjusted coefficient

Previous settlement price of the contract adjusted after the ex-right date (ex-dividend date) = previous settlement price of the old contract / adjusted coefficient

Previous settlement price of the contract adjusted after the ex-right date (ex-dividend date) is only used for setting price limits.

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 shares.

3.5 In case of any adjustment to the contract size or strike price of an option contract, its symbol 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, SZSE will delist the contract on the following trading day.

3.6 SZSE will not list any new contract if the underlying stock or ETF of which has been removed from the prescribed list of underlying asset.

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.

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

3.8 An option contract will be delisted upon expiration.

Chapter IV Trading

Section 1 General Rules

4.1.1 SZSE provides the marketplace and facilities for option trading.

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

4.1.2 The trading hours of option contracts are 9:15-9:25, 9:30-11:30, and 13:00-15:00 each trading day. Unless otherwise provided in the *Trading Rules*, the opening call auction runs from 9:15 to 9:25, the closing call auction from 14:57 to 15:00, and the continuous auction during the remaining hours.

Trading hours will not be extended if there is a market closure for some reason.

4.1.3 Members meeting relevant requirements of CSRC on engaging in stock option brokerage services may apply for stock option trading permission to engage in stock option trading at SZSE.

To engage in stock option trading at SZSE, other stock option intermediaries meeting relevant requirements of CSRC on engaging in stock option brokerage services shall apply to become trading participants of stock options at SZSE (“Trading Participants”), apply for permission to engage in stock option trading, and comply with the applicable rules for Trading Participants of the Exchange.

Members and other stock option intermediaries (“option intermediaries”) shall engage in option trading through a participant business unit established by SZSE (“Participant Business Unit”). The establishment, use, and management of Participant Business Units shall follow the applicable rules for Participant Business Units management of the Exchange.

4.1.4 To apply to become a Trading Participant at SZSE, other stock option intermediaries shall submit the following materials to the Exchange:

(1) an application form and a commitment form;

(2) Business License of Enterprise Legal Person;

(3) the articles of association;

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

(5) such documents as its stock option brokerage services plan, internal risk control and management rules, and investor suitability management rules;

(6) personal profiles of directors, supervisors, and senior officers, as well as a list and qualification certificates of the relevant personnel involved in the stock option business; and

(7) other documents required by the Exchange.

SZSE will issue an approval or disapproval decision within 5 trading days regarding complete and satisfactory applications.

SZSE may terminate the Trading Participant status of any other stock option intermediary who no longer meets the qualification requirements of CSRC.

4.1.5 Option intermediaries shall meet the requirements of SZSE in such areas as business operation, risk management, and IT systems on an ongoing basis.

4.1.6 If an option intermediary intends to use by itself or provide its clients with a trading software which, through computer programs, enables automated or quick order submission and other functions, the option intermediary shall report to SZSE at least 5 days before using or providing such software for record-keeping purposes.

Any investor who intends to use a trading software that realizes automated or quick order submission and other functions through computer programs shall inform its option intermediary at least 5 trading days before using it and have the option intermediary report such to SZSE for record-keeping purposes.

4.1.7 Option intermediaries shall send trade orders to SZSE through Participant Business Units and conclude the trades pursuant to the *Trading Rules*. Trading results and other records are sent to the option intermediaries by the Exchange.

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

4.1.8 Any investor intending to trade options at SZSE shall enter into an option brokerage agreement with an option intermediary to become its client (“client”).

4.1.9 Option intermediaries engaged in option 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.

4.1.10 Upon accepting a client instruction, the option intermediary shall place an order with SZSE in accordance with the instruction and assume the corresponding trading and settlement obligations.

4.1.11 An option intermediary shall implement front-end control in its over-the-counter trading system to verify the funds, option contracts, 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 the *Trading Rules* and other applicable rules of SZSE and that there is no such circumstances as insufficient funds, double-booked funds, or position over-limit.

4.1.12 An option 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 option intermediary shall report to SZSE the funds information of its clients and other information required by the Exchange.

4.1.13 Option market makers provide services including two-way continuous quotes and two-way on-demand quotes for the option 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 option market makers will be prescribed by SZSE separately.

Section 2 Investor Suitability Management

4.2.1 SZSE enforces investor suitability rules for option trading.

Investors participating in option trading at SZSE shall satisfy the suitability standard prescribed by the CSRC and the Exchange; individual investors shall additionally pass the comprehensive suitability assessment for option investors organized by option intermediaries.

Particulars of investor suitability management will be prescribed by SZSE separately.

4.2.2 No listed company or any of its directors, supervisors, senior officers, shareholders holding 5 percent or more of its shares, or any person acting in concert therewith may buy or sell any option contract with its stock as the underlying asset.

4.2.3 An option intermediary shall manage the suitability of investors participating in option trading, establish an investor qualification review system, test them on the fundamentals of options, and prudentially assess their risk tolerance. No option 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.

4.2.4 An option intermediary shall classify and respectively manage the option trading rights of individual investors based on the results of their comprehensive suitability assessment. An investor may engage in option trading within the rights corresponding to the requirements they satisfy.

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

4.2.5 Before entering into an option brokerage agreement with a client, an option 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 option intermediary may open an account for any client who does not sign the risk disclosure statement.

4.2.6 An option intermediary shall manage the option trading of its clients and educate them about risks on an ongoing basis, and shall keep abreast of profits and losses, expenses, and payments and receipts of clients' option trading.

An option 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.

4.2.7 Option intermediaries shall be the primary party responsible for handling investor complaints. Option intermediaries shall establish a client dispute resolution mechanism, publish the resolution process and status, and specify the departments and positions responsible for handling issues including client complaints.

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

Section 3 Client Instructions and Order Submission

4.3.1 Any investor intending to trade options shall apply to an option intermediary to open a derivative contract account ("contract account") and a margin account.

An investor shall have a securities account of SZSE before applying for the contract account, and the registration information associated with the two accounts must be consistent. An investor may transfer the custody of its covering securities in the 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 option intermediaries.

4.3.2 Investors may instruct an option intermediary in writing or by self-service means such as telephone, self-service terminal or the Internet to buy or sell option contracts on their behalf.

4.3.3 An instruction placed by an investor shall include:

(1) contract account number;

(2) contract code;

(3) trading type;

(4) quantity;

(5) instruction type and price;

(6) other information required by SZSE and the option 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 limit price instruction and market price instruction.

4.3.4 Option buyers shall pay the premium; option sellers collect premium and shall deposit margin funds as required by SZSE and CSDC.

4.3.5 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.

4.3.6 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.

4.3.7 Stocks and ETF shares bought on a given day may be used for covered call opening on the same day.

Any ETF shares created on a given day, which are subject to secured delivery, may be used for covered call opening on the same day. Any ETF shares which are subject to unsecured delivery may not be used for covered call opening until the completion of delivery process.

No restricted outstanding shares may be used for covered call opening.

4.3.8 An instruction to open a covered call position is deemed invalid if there is an insufficient quantity of the underlying asset.

At the end of each day, CSDC locks up a corresponding quantity of the underlying asset in the securities account of an investor based on its covered call positions.

In case of any adjustment to the size of an option contract, the quantity of covering securities shall be calculated based on the adjusted contract size.

4.3.9 The covering securities will be automatically unlocked upon closing the covered call position.

4.3.10 Any stocks bought on a given day may be used for creating ETF shares on the same day but may not be sold if the stocks are used to open covered call positions and the positions are closed afterwards; Any stocks redeemed from an ETF on a given day may be sold on the same day but may not be used for creating ETF shares if the stocks are used to open covered call positions and the positions are closed afterwards.

Any ETF shares bought on a given day may be redeemed on the same day but may not be sold if the shares are used to open covered call positions and the positions are closed afterwards; any ETF shares created on a given day may be sold on the same day but may not be redeemed if the shares are used to open covered call positions and the positions are closed afterwards.

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

4.3.11 Unless otherwise prescribed by SZSE and CSDC, the long positions and short positions in the same option contract held by a contract account in the same trading unit will be automatically and mutually offset at the end of each day by CSDC.

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

4.3.12 An option intermediary shall timely submit orders to SZSE in the order client instructions are received.

4.3.13 During the trading hours prescribed by the *Trading Rules*, SZSE accepts trade orders submitted by option intermediaries. A trade order becomes effective upon being confirmed by SZSE and remains valid on the day of submission.

No order cancellation request will be accepted from 9:20 to 9:25 and from 14:59 to 15:00 each trading day; an unmatched order may be canceled at any other time for order submission and the cancellation instruction is only valid until it is confirmed by SZSE.

4.3.14 SZSE accepts the following limit orders and market orders from Trading Participants:

(1) Ordinary limit order;

(2) Fill-or-Kill limit order;

(3) Opposite-side Best Price market order;

(4) Same-side Best Price market order;

(5) Five Best market orders Immediate or Cancel;

(6) Immediate or Cancel market order;

(7) Fill-or-Kill market order;

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

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

4.3.15 A limit order shall include such elements as the order type, contract account number, trading unit code, brokerage branch code, option contract code, trading direction, open-close indicator quantity and price.

A market order shall include such elements as the order type, contract account number, trading unit code, brokerage branch code, option contract code, trading direction, open-close indicator and quantity.

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

4.3.16 Where an option intermediary intends to instruct CSDC to transfer in or out the securities that will not be immediately delivered to its clients from its securities disposal account, the option intermediary shall submit the transfer in or out from securities disposal account order ("transfer order") 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.

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

4.3.17 Options are traded in contracts.

Each order for option trading shall be in multiple of one contract. There is a size limit of 50 contracts for each limit order and 10 contracts for each market order.

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

4.3.18 Where the underlying asset is a stock, the instruction, order, and trading price of the option contract are the premium corresponding to each share; the tick size of an order is RMB 0.001. Where the underlying asset is an ETF, the instruction, order, and trading price of the option contract are the premium corresponding to each ETF share; the tick size of an order is RMB 0.0001.

SZSE may adjust the tick size of an order in view of market needs.

4.3.19 SZSE enforces price limit for option trading. Any order exceeding the price limit is invalid.

4.3.20 The price limit of an option contract are calculated as follows:

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

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

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

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

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

SZSE may adjust the parameters in the above formulas for price limits of an option contract in view of market needs.

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

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

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

There is no price down limit on the last trading day of an option contract.

4.3.22 The daily price limits of option contracts are announced by SZSE before the opening of each trading day.

Section 4 Auction and Order Execution

4.4.1 Auction trading of options is conducted through call auction and continuous auction.

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

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

4.4.2 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: A priority is given to a higher buy order over a lower buy order and a priority is given to a lower sell order over a higher sell order.

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

4.4.3 During the continuous auction, 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 price up limit, a buy to close order (including that to close a covered call position) precedes a buy to open order; for orders at the price down limit, a sell to close order precedes a sell to open order.

4.4.4 During the call auction, the trading price shall be determined according to the following principles:

(1) generates the highest trading volume;

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

(3) allows at least all the buy orders at the identical price or all the sell orders at the identical price to be executed in full.

In case that there is more than one such price ,the price that minimizes the difference between the total volume of buy orders with a higher price and the total volume of sell orders with a lower price shall be taken as the execution price. In case there is still more than one such price, during the opening call auction, the price that is closest to the previous settlement price as displayed in the rea-time quotations shall be taken as the execution price, and during intra-day and closing call auction, the price that is closest to the last traded price shall be taken as the execution price.

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

4.4.5 During the continuous auction, the trading price shall be determined according to the following principles:

(1) where the highest buy order price matches the lowest sell order price, such price shall be taken as the trading price;

(2) where the buy order price is higher than the lowest sell order price currently available in the central order book, such lowest sell order price shall be taken as the trading price;

(3) where the sell order price is lower than the highest buy order price currently available in the central order book, such highest buy order price shall be taken as the trading price.

4.4.6 Unless otherwise specified by the *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 the *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 SZSE shall be taken as the final results of the trades concluded pursuant to the *Trading Rules*.

Chapter IV Trading

Section 5 The Method for Determining the Settlement Price of an Option Contract

4.5.1 SZSE publishes the settlement prices of option contracts after the close of each trading day, which will be the basis for calculating the day-end maintenance margin, the initial margin and price limits of the next trading day, and other data for the option contracts.

4.5.2 For any option contract that is in-the-money on the last trading day, SZSE will determine its settlement price based on its underlying asset's closing price on that day and its strike price. Any option contract that is out-of-the-money or at-the-money on the last trading day has a settlement price of 0.

4.5.3 Except on the last trading day, the settlement price of an option contract is the trading price of the closing auction on the current day. If the closing auction fails to generate a trading price, the settlement price shall be determined in accordance with the following principles:

(1) If there was a trade during the continuous auction of final 8 minutes before the close of the day, the benchmark price shall be taken as the last trading price in the continuous auction. If there was best bid price at the close and was at or above the benchmark price, the settlement price will be such best bid price. If there was best offer price at the close and was at or below the benchmark price, the settlement price will be such best offer price. If there were best bid and offer price at the close and the benchmark price was between them, the settlement price will be the benchmark price;

(2) If there was no trade during the continuous auction of final 8 minutes before the close of the day, but there were best bid and offer price at the close, the settlement price will be calculated as the midpoint between the best bid price and the best offer price;

(3) If the settlement price of an option contract cannot be determined according to Item (1) and (2), and the best bid price was at the upper limit at the close of the option contract, the settlement price will be at the upper limit;

(4) If the settlement price of an option contract cannot be determined according to Item (1), (2) and (3), for standard and non-standard option contracts with the same expiration month, strike price and contract type in the same class of option, if there was only one option contract having settlement price, the settlement price of such contract shall be taken as the settlement price of other contracts. If the settlement price still cannot be determined, the implied volatility of the contract having settlement price will be used to calculate the settlement price of other contracts. If the settlement price still cannot be determined, the closing price of an option contract will be taken as the settlement price.

4.5.4 The settlement price of an option contract is determined according to Article 4.5.3 shall be ultimately determined according to the following principles:

(1) For standard and non-standard option contracts of the same class of options with the same expiration month, strike price and contract type, the settlement price of the contract with the largest trading volume on the day, the standard contract, and the contract with the largest contract code will in turn be taken as the settlement price of such contracts;

(2) If the settlement price of an option contract is greater (smaller) than the upper (lower) price limit, it will be adjusted to such upper (lower) price limits;

(3) If the settlement price of an option contract is smaller than its intrinsic value, it will be adjusted to such intrinsic value;

(4) For option contracts of the same class of options with the same expiration month and contract type, the settlement price of option contracts shall conform to such principle: the settlement price of call options will be lower for the option contracts with higher strike price, and the settlement price of put options will be higher for the option contracts with higher strike price;

(5) For option contracts of the same class of option with the same expiration month and contract type, the settlement price of option contracts shall conform to such principle: the settlement price of option contracts will be higher for the contracts with later expiration month.

4.5.5 On the first day of listing, an option contract shall take the opening reference price published by SZSE as its previous settlement price.

Where the underlying asset of an option contract goes ex-right or ex-dividend, the adjusted formula for the previous settlement price of the option contract shall be subject to Article 3.4 of the *Trading Rules*.

4.5.6 SZSE and CSDC may adjust the methods for determining the settlement price in view of market conditions.

Section 6 Trading Suspension and Resumption, Circuit Breaker, and Other Matters

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

The closing price of an option contract is generated from the call auction. If the closing price cannot be generated or the closing call auction is not conducted, the closing price shall be the volume-weighted average price of all transactions (including the last transaction) in the minute before the last transaction of the contract on that day.

If an option contract is absent of any trade on that day, the closing price shall be the previous closing price.

If an option contract is not traded on its first day of listing, the opening reference price published by SZSE shall be taken as the closing price on that day.

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

4.6.3 If an option 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 a call auction.

4.6.4 Option trading is subject to the circuit breaker mechanism.

During the 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 10 times the tick size, the contract will enter a 3-minute call auction, after which the continuous auction will resume.

If the intraday call auction caused by the circuit breaker ends after 14:57 (included), the contract resumes trading at 14:57 followed by the closing call auction.

SZSE may adjust the circuit breaker threshold of option trading in view of market needs.

4.6.5 Latest reference price referred to in the preceding Article means the trading price generated in the latest call auction.

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

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

4.6.6 Where trading of an option contract triggers the circuit breaker and enters a call auction, any unmatched portion of an Opposite-side Best Price market order will enter the call auction as an Opposite-side Best Price limit 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.

4.6.7 Where trading of an option contract triggers the circuit breaker during 11:27-11:30 and enters a call auction, any time of such call auction remaining at 11:30 shall be transferred to the start of the trading session after 13:00.

Where a call auction is triggered due to circuit breaker, SZSE 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, SZSE will not accept any order cancellation instruction during 14:56-14:57, and the call auction ends at 14:57 followed by the closing call auction.

If trading of the underlying asset of an option contract is suspended after trading in the contract has entered a call auction 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 a call auction, after which the contract will enter the continuous auction.

4.6.8 Stock options can be traded in blocks.

Section 7 Handling of Abnormal Events during Trading

4.7.1 In case any or all of the option 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 option market due to such reasons as consecutive price limit hits by its underlying asset, SZSE may take the following risk control measures in accordance with the prescribed authority and procedures and shall immediately report the situation to CSRC:

(1) imposing a temporary trading suspension;

(2) imposing a temporary market closure;

(3) adjusting margin rates;

(4) adjusting the price limit 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 option intermediaries or investors;

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

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

(11) performing forced liquidation;

(12) canceling trades;

(13) taking other risk control measures.

SZSE 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.

4.7.2 SZSE may impose a temporary trading suspension in case of:

(1) any substantial abnormal movement in the price of option trades;

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

(3) other abnormal events identified by SZSE.

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

4.7.3 SZSE will resume trading and issue a market announcement after the cause of the temporary trading suspension, temporary market closure, or restrictions on option trading by option intermediaries or investors has been resolved.

Except for the special situations identified by SZSE, where trading is resumed on the same day as the temporary trading suspension or temporary market closure, the orders already accepted by SZSE prior to the trading suspension or temporary 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 call auction.

4.7.4 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 option contract or in any other key data related to option trading, SZSE may adjust relevant terms or data and shall issue a market announcement about the adjustment.

4.7.5 If any option intermediary or investor is 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 option market, the option intermediary or investor shall take immediate and effective containment measures and immediately report the situation to SZSE.

SZSE may inspect such option intermediary and investor and shall timely issue a market announcement regarding its findings.

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

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

4.7.7 SZSE has formed the Option Trade Cancellation Review Committee which issues independent and professional judgement on trade cancellations as well as review opinions.

SZSE 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.

4.7.8 SZSE shall not be liable for any abnormal events occurred during trading and for any risk control measure it adopts.

Section 8 Trading Information

4.8.1 SZSE publishes information on option trading including real-time market data, delayed market data, and public information.

4.8.2 All option trading information generated in the market of SZSE is property of SZSE. Without the permission of SZSE, no institution or individual may use, process, operate, or disseminate such information.

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

4.8.3 Each option intermediary shall at its place of business display the real-time market data from option trades.

4.8.4 The real-time market data of an option contract during the call auction include its contract code, previous settlement price, virtual call auction reference price, virtual matched volume, and virtual unmatched volume, etc.

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

4.8.5 The real-time market data of an option contract during the 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 5 real-time highest bid prices and corresponding quantities, and the 5 real-time lowest ask prices and corresponding quantities.

4.8.6 At daily market close, SZSE will announce to the market the following information on unexpired option contracts:

(1) top 3 call option products and top 3 put option products by trading volume, and the corresponding top 5 option intermediaries in terms of trading volume (proprietary and brokerage trades combined);

(2) top 3 call option products and top 3 put option products by gross open interest, and the corresponding top 5 option intermediaries in terms of position holding (proprietary and brokerage trades combined);

(3) other information which SZSE deems necessary to be published.

4.8.7 For any single stock option if the quantity of the 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 5% or more of the outstanding shares of the listed company, SZSE will announce to the market:

(1) names of the investors;

(2) short names of all relevant option contracts;

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

(4) other information which SZSE deems necessary to be published.

4.8.8 Market data published by SZSE will include information on option contracts that have been suspended from trading, and not include information on delisted option contracts.

4.8.9 For any option contract that expires, SZSE will publish statistics on the exercise of the option contract following market close on the exercise date.

The statistics on exercise include the quantities of option contracts exercised for calls and puts of the option class, etc.

4.8.10 SZSE may adjust how and what to publish in the real-time market data and public information of option trading in view of market needs.

Chapter V Exercise

5.1 An option buyer may determine whether to exercise the option during the period specified in the contract. If the buyer selects to exercise, it may buy or sell the corresponding quantity of the underlying asset at the specified price.

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

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

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

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

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

5.4 An option buyer may submit a combination of exercise orders of a call option and a put option of the same underlying asset.

SZSE accepts combinations of exercise orders during 15:00-15:30 on the exercise date.

5.5 The quantity of option contracts to be exercised shall be one or its integer multiples. If more than one exercise order is submitted in a day, the exercise quantity will be based on the cumulative size of valid orders.

5.6 An option 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.

5.7 Except for the circumstances specified in Article 5.14 of the *Trading Rules*, the exercise of the option contract shall require the delivery of the underlying asset.

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

Unless otherwise specified in Article 5.14 of the *Trading Rules*, if the contracts or underlying asset in the account of the investor are not sufficient to cover all its exercise orders, any excess orders are deemed invalid.

5.9 Unless otherwise specified in Article 5.14 of the *Trading Rules*, option intermediaries shall implement front-end check and control over the valid size of clients' exercise orders as well as the sufficiency of underlying asset and funds for exercise.

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

5.10 SZSE 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 asset for exercise, and assign valid exercise orders pursuant to its rules.

5.11 If an option contract is subject to a 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.

5.12 The last trading day, expiration date, and exercise date of an option contract shall be adjusted 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 option contract is subject to a temporary trading suspension or temporary market closure by SZSE 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 option contracts have been canceled by SZSE 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 adjustment is deemed necessary by the Exchange.

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

5.13 The exercise settlement date of an option contract shall be the trading day following its exercise date.

5.14 Where any of the following events occurs during the exercise of an option 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 check 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 trading day following its exercise date;

(3) there is any other extraordinary event as provided in Article 4.7.1 of the *Trading Rules* or other circumstance where cash settlement is deemed necessary by the Exchange.

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

5.15 Where the underlying asset is a stock, the cash settlement price shall be calculated as follows:

(1) the cash settlement price shall be the trading price of the underlying asset of the closing call auction on the latest trading day(including the exercise date, the same below);

(2) the cash settlement price shall be the volume-weighted average price of the underlying asset during the last 60 minutes before the last trade on the latest trading day if the closing call auction fails to generate a trading price;

(3) the cash settlement price shall be the closing price of the underlying asset determined by SZSE if no trade is executed during the latest trading day.

5.16 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.

5.17 If an investor does not have sufficient underlying asset for settlement and holds unexpired covered calls in its contract account, then the corresponding covering securities will be used for settlement on the current day. Any resulting excess short positions with a shortfall in the covering securities shall be converted to uncovered positions at the end of the day.

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

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

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

5.20 An option intermediary shall remind its clients to properly manage their position holding in option contracts on each of the 3 trading days before the expiration date and keep records of such reminders.

5.21 Any option intermediary that provides agreed exercise service to clients shall specify, in the option 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.

5.22 The assignment and settlement of option contracts shall be conducted by CSDC pursuant to its rules.

Chapter VI Risk Control

6.1 Option trading adopts a margin system.

Margin, comprising clearing deposit and trading margin, is used to settle option 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 SZSE and CSDC.

6.2 Clearing deposit and maintenance margin are collected by the following hierarchical arrangement:

(1) option intermediaries collect from clients;

(2) CSDC collects from Clearing Participants.

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

6.3 SZSE 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.

6.4 SZSE and CSDC will determine and announce to the market the minimum margin rate required.

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

6.5 The margin rates imposed by an option intermediary on its clients and by a Clearing Participant on the option intermediaries that have authorized it to settle option shall not be lower than the minimum rate prescribed by SZSE 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 option intermediary who has authorized a Clearing Participant to settle option shall not be lower than the rate imposed on the option intermediary by the Clearing Participant.

6.6 Where an investor implements an option strategy with the position holding, margin will be collected at the rate specified by SZSE and CSDC.

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

SZSE accepts orders for implementing and cancelling option strategies during 9:15-9:25, 9:30-11:30 and 13:00-15:15 each trading day.

Such order will be accepted even if a leg instrument of the option strategy is suspended from trading, provided it is not during a temporary trading suspension or a temporary market closure.

6.8 A Clearing Participant shall, in its own name, open a proprietary security margin account and a client security margin account ("security margin account") with CSDC to hold margin submitted in the form of securities ("security margin") for its proprietary trades and brokerage trades, respectively.

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

6.9 Security margin will be converted into the margin amount at the specified conversion ratio, and then aggregated with margin amount submitted in cash ("cash margin").

The conversion ratio of security margin specified by an option intermediary for its clients shall not exceed the ratio specified by SZSE and CSDC.

6.10 SZSE and CSDC will, in view of market conditions, determine, adjust, and announce to the market the securities admissible as collateral and their corresponding conversion ratios.

Particulars of security margin will be separately prescribed by SZSE and CSDC.

An option intermediary shall specify detailed terms including submission, administration, and disposal of security margin in the option brokerage agreement.

6.11 An investor shall submit security margin transfer-in and transfer-out orders to SZSE through its option intermediary. An option intermediary may submit sell orders on security margin to dispose of the corresponding quantity.

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

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

6.12 Option intermediaries shall strictly follow the requirements on the safekeeping of client margin, 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 margin to China Securities Investor Protection Fund Corporation Limited., the Exchange, and CSDC pursuant to relevant rules.

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

6.13 SZSE enforces position limit for option trading.

The long positions, open interest, and intraday buy to open positions held by any option 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.

6.14 SZSE will determine, adjust, and announce to the market the position limits applicable to option intermediaries and investors.

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

6.15 Any option 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 of that option class.

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

6.17 SZSE may, in view of trading activities and market conditions, restrict the opening of positions of a specific option product or option contract that has met the prescribed conditions.

6.18 SZSE enforces large position reporting system for option trading.

Option intermediaries and investors who are required by SZSE to report their positions held shall do so within the specified period. Where a client fails to report as required, the carrying option intermediary shall report the client's positions held to the Exchange.

6.19 SZSE enforces forced liquidation for option trading.

6.20 A Clearing Participant shall be subject to forced liquidation by CSDC if its clearing deposit falls below zero and it fails to eliminate the shortfall or close out its positions within the specified period. If the covering securities of a Clearing Participant are insufficient and the Clearing Participant fails to eliminate the shortfall or close out its positions within the specified period, CDSC will determine the uncovered positions calculated from the shortfall at the end of the day and collect corresponding maintenance margin. CSDC may compulsorily liquidate its positions if it leads to a negative clearing deposit.

CSDC will entrust SZSE to implement such forced liquidation.

6.21 If the positions held in an investor's contract account exceeds the position limit prescribed by SZSE and the carrying option intermediary fails to timely compulsorily liquidate the investor's excess position according to the brokerage agreement or as required by the Exchange, SZSE may compulsorily liquidate the investor's positions directly.

If the positions held in an option intermediary's contract account exceeds the position limit prescribed by SZSE and the option intermediary fails to close out its excess position within the specified time limit, SZSE may compulsorily liquidate the option intermediary's positions.

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

6.22 In case any extraordinary event specified in Article 4.7.1 of the *Trading Rules* occurs during option trading and will or is likely to cause major trading risks in the option market, SZSE may implement forced liquidation.

In case any abnormal event specified in Article 4.7.1 of the *Trading Rules* occurs during option trading and will or is likely to cause major settlement risks in the option market, CSDC may decide to implement forced liquidation and entrust the execution to SZSE.

6.23 If any client has insufficient margin and fails to eliminate the shortfall or close the positions within the period specified by its carrying option intermediary, the option intermediary shall execute forced liquidation. Forced liquidation shall also be executed by an option intermediary if a client with insufficient covering securities fails to eliminate the shortfall or close the positions within the period specified by its carrying option intermediary and remains under-margined after converting the covered positions to uncovered positions.

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

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

6.25 Particulars of forced liquidation will be separately prescribed by SZSE and CSDC.

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

6.26 Option trading adopts a risk warning system. SZSE may take such measures as requiring reports from option intermediaries and investors, arranging a warning meeting, issuing written risk warning, issuing risk alert, or any combination thereof.

With respect to any option intermediary or investor subject to any of the above risk warning measures, SZSE may simultaneously impose thereon the risk control measures provided in Article 4.7.1 of the *Trading Rules*.

6.27 SZSE may take the risk control measures provided in Article 4.7.1 of the *Trading Rules* against any option intermediary or investor who has breached the law or relevant regulations and has caused or is likely to cause material impact on the market.

6.28 Particulars of risk control in option trading will be separately prescribed by SZSE and CSDC.

Chapter VII Regulation of Trading

7.1 When engaging in option activities, option intermediaries shall comply with applicable laws, administrative regulations, ministry-level rules, regulatory documents, 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 option trading, investors shall comply with applicable laws, regulations, ministry-level rules, and the rules of the Exchange, and accept the self-regulatory measures of SZSE as well as the compliant trading requirements of option intermediaries.

7.2 No insider may engage in option trading using inside information or any other undisclosed information on the option market or the underlying asset market.

7.3 No one may manipulate the trading price or trading volume of options, or influence such prices or volume by manipulating the trading price or trading volume of the underlying asset of options.

7.4 SZSE exercises intense monitoring on the following matters:

(1) suspected insider trading, market manipulation and trading on non-public information, or any other illegal or rule-breaking act;

(2) circumstances where the time, quantity or means for option trading are restricted by laws, administrative regulations, ministry-level rules, regulatory documents, or the rules of the Exchange;

(3) abnormal trading activities of a single account or suspected associated accounts;

(4) obvious abnormal trading price or trading volume of the whole option market or an individual option contract;

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

(6) other matters requiring intensified monitoring at the discretion of the Exchange.

7.5 The activities provided in Article 7.4 Item (2) include option market makers using the contract accounts designated for market making for other purposes.

7.6 The following situations belong to the abnormal trading activities in Article 7.4 Item (3):

(1) extensively or continuously buying or selling option contracts prior to the disclosure of any information which may significantly influence the trading price of option contracts or their underlying asset and showing obvious abnormalities in trading time and trading habits;

(2) large or frequent trades in a single account or between multiple accounts controlled by an investor;

(3) large or frequent trades between suspected associated accounts of different investors;

(4) large, successive, concentrated orders, or orders with prices deviating significantly from the latest trading price as indicated by market data;

(5) frequent placement and cancellation of orders, or cancellation of recently placed large orders, with the aim of influencing the trading price of option contracts or their underlying asset or misleading other investors;

(6) large or frequent trades at the same or similar prices;

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

(8) through abnormal orders, affecting the trading price, trading volume of the underlying asset associated with the price fluctuation of the option contracts, or affecting the trading price, trading volume of the option contracts associated with the price fluctuation of the option contracts;

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

(10) fabricating, disseminating, or spreading false information to influence the trading price of option contracts or their underlying asset or mislead other investors, while conducting related trades;

(11) 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;

(12) frequent solicitation of quotes from option market makers with a disproportionately lower executed volume;

(13) other abnormal trading activities requiring intense monitoring at the discretion of the Exchange.

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

Upon discovering any of the matters as enumerated in Article 7.4 that need to be put intense monitoring in a client’s option trading, the option intermediary shall promptly notify the client, stop such activity, and report the situation to the Exchange. If such activity nevertheless continues, the option intermediary may take such measures as raising the margin requirement, restricting the opening of new positions, refusing further instructions, or terminating their brokerage relations.

7.8 In performing the duties of self-regulation, SZSE may exercise the following powers:

(1) to conduct on-site or off-site investigations of the matters that occur in option trading and need to be put under intense monitoring;

(2) to examine and copy information or materials related to option trading;

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

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

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

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

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

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

(1) information of investors' contract account or cash account, including account opening materials, capital information, agent identity information, letter of authorization, transaction information, etc.

If contract account holders are asset management products or partnership enterprises, the relevant information of clients, beneficiaries, investment consultants, partners, account opening agents, and trading agents should also be provided.

Asset management products include but not limited to fund trusts and those asset management products that issued by securities companies and subsidiaries, fund management companies and subsidiaries, futures companies and subsidiaries, insurance asset management organizations, financial asset investment companies, etc.;

(2) information on the actual controller and operator of investors' contract accounts or cash accounts, source of funds, and description of connections between related accounts;

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

(4) other relevant materials required by SZSE.

7.10 Upon discovering any of the matters as enumerated in Article 7.4 that need to be put intense monitoring in an investor's option trading, SZSE may, in view of the severity, impose the following self-regulatory measures:

(1) issuing an oral warning;

(2) issuing a written warning;

(3) summoning the parties involved for a talk;

(4) placing the contract accounts on the intense monitoring list;

(5) requiring the submission of a written commitment;

(6) suspending intraday trading;

(7) restricting after-hour trading after trading hours;

(8) other self-regulatory measures prescribed by SZSE.

Any person objecting to Item (7) may apply to the Exchange for a review within 15 days of receiving the enforcement notice of relevant measure. Enforcement of the measure shall not be suspended during the review period.

7.11 Any supervisory measures of SZSE against an investor for abnormal trading activities shall be implemented by the carrying option intermediary. Option intermediaries shall promptly inform their clients of relevant supervisory information and written decisions of the Exchange.

7.12 SZSE may impose the following self-regulatory measures on option intermediaries that violate the *Trading Rules* or other relevant rules of the Exchange:

(1) issuing an oral warning;

(2) summoning the parties involved for a talk;

(3) issuing a written warning;

(4) suspending intraday trading;

(5) restricting after-hour trading after trading hours;

(6) suspending the acceptance or process of relevant business;

(7) other self-regulatory measures prescribed by SZSE.

Any person objecting to Item (5) may apply to the Exchange for a review within 15 days of receiving the enforcement notice of relevant measure. Enforcement of the measure shall not be suspended during the review period. Measures shall not be suspended during the review.

7.13 In case of a violation of the *Trading Rules* or other relevant rules of the Exchange, SZSE may impose one or a combination of the following disciplinary sanctions on the offending option intermediaries:

(1) circulating a notice of criticism;

(2) issuing a public censure;

(3) suspending or restricting trading permission;

(4) revoking trading permission;

(5) revoking its membership or stock option trading participant qualification;

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

Any option intermediary objecting to Item (2), (3), (4) or (5) above may apply to SZSE for a review within 15 trading days of receiving the sanction notice. Enforcement of sanctions shall not be suspended during the review period.

7.14 Self-regulatory measures and disciplinary sanctions against option intermediaries and investors shall be implemented pursuant to the rules of SZSE.

7.15 At the request of CSDC, SZSE 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

8.1 Trading disputes between option intermediaries or between an option intermediary and its clients shall be recorded and verified by relevant option intermediaries for future reference by the Exchange. An option intermediary shall promptly report to SZSE any dispute that affects the normal trading.

An option intermediary shall coordinate with the clients if the clients have doubt on option trading.

8.2 Records and operating procedures shall be retained by option intermediaries under the *Trading Rules*. These records shall be retained for no less than 20 years.

8.3 Trading fees for option contracts are charged on a per-contract basis.

Settlement fees for option trades shall be charged at the rate specified by CSDC.

8.4 Investors shall pay commissions to option intermediaries pursuant to relevant regulations.

Option intermediaries shall pay processing fees and other fees to SZSE pursuant to relevant rules.

Chapter IX Ancillary Provisions

9.1 The following terms in the *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 Shenzhen Stock Exchange Composite Index.

(3) Option class: the set of all option contracts with the same underlying asset.

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

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

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

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

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

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

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

(11) Uncovered position: the long position and uncovered short positon created with a sell to open using cash margin of an investor.

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

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

(14) 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.

(15) 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.

(16) At-the-money contract: a call option or put option with a strike price equaling the market price of the underlying asset.

(17) Standard contracts: an option contract with terms not adjusted due to its underlying asset going ex-right or ex-dividend.

(18) Non-standard contracts: an option contract with terms adjusted due to its underlying asset going ex-right or ex-dividend.

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

(20) Expiration month: the month when an option contract expires.

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

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

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

(24) 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.

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

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

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

(28) 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.

(29) Fill-or-Kill limit order: an order to buy or sell an option contract at a specified price or better. If the order can be immediately and entirely executed by the existing orders of the counterparties, it is executed, otherwise, it is canceled automatically.

(30) Opposite-side Best Price market order: an order whose quotation price is set at the best price on the opposite side in the central order book at the time the order is routed into the Exchange system.

(31) Same-side Best Price market order: an order whose quotation price is set at the best price on the same side in the central order book at the time the order is routed into the Exchange trading system.

(32) Five Best Market Orders Immediate or Cancel: an order that is executed in sequence against the current five best prices on the opposite side. In case that part of the order cannot be executed, the unfilled part of the order shall be cancelled automatically.

(33) Immediate or Cancel market order: an order that is executed in sequence against all the orders on the opposite side in the central order book at the time the order is routed into the Exchange trading system. In case that part of the order cannot be executed, the unfilled part of the order shall be cancelled automatically.

(34) Fill-or-kill market order: an order that must be executed in its entirety against all the orders on the opposite side in the central order book at the time the order is routed into the Exchange trading system, otherwise the entire order shall be cancelled automatically.

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

(36) Trading volume: the buying or selling volume of an option 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.

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

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

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

9.3 For the purpose of the *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.

9.4 The *Trading Rules* and its amendments shall take effect following adoption by the Board of Governors of SZSE and approval of the CSRC.

9.5 SZSE reserves the right to interpret the *Trading Rules*.

9.6 The *Trading Rules* shall be implemented as of the date of release.