

Q & A Related to the Crude Oil Business of Overseas Intermediaries

Part One: Account Opening and Trading

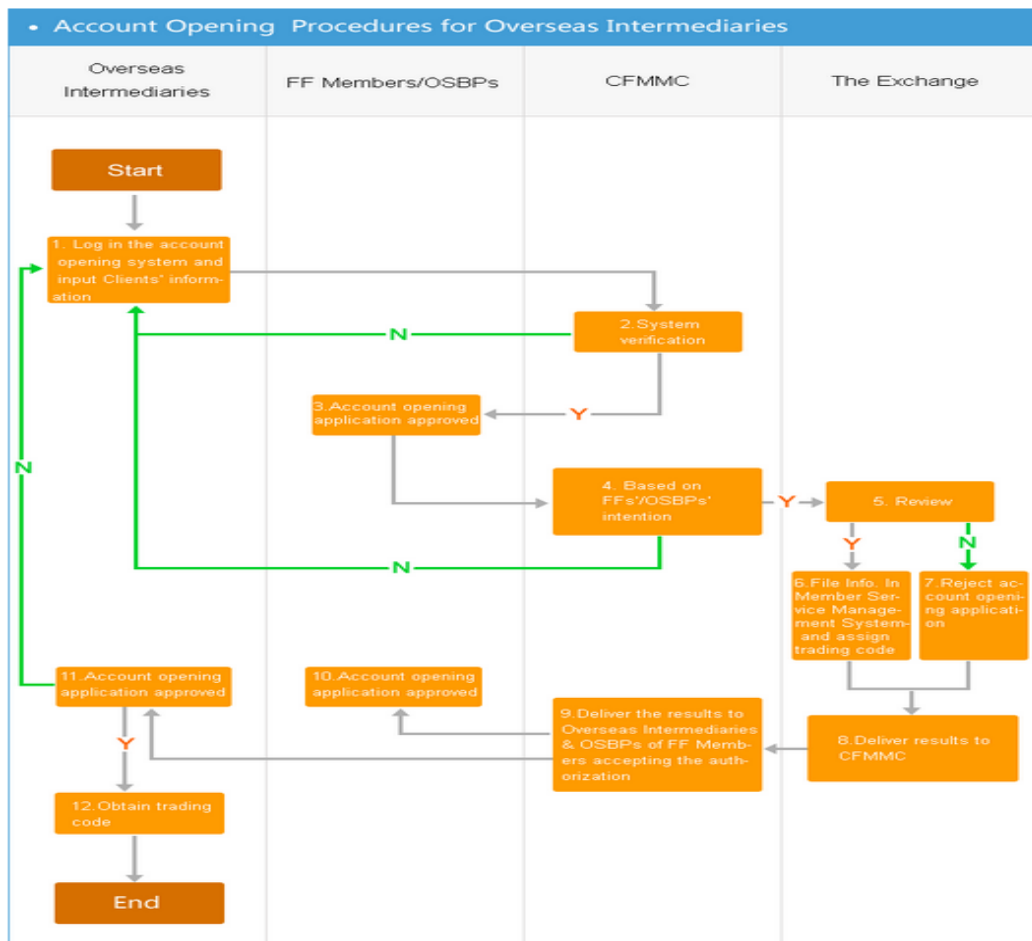
1. How many futures companies could an overseas intermediary cooperate and sign the agency agreement with?

The agency agreement can be signed with up to five domestic futures companies.

2. Can an overseas customer sign contracts with more than one overseas intermediary?

An overseas customer can open accounts with only one domestic futures company members or only one overseas intermediaries. A customer can only choose one way to open the account under each domestic futures company.

3. Account Opening Procedures for Overseas Intermediaries.



4. Is it necessary for foreign intermediaries to use the English contract template provided by the China Futures Association (CFA) ?

The English contract template of China Futures Association (CFA) is the basic template provided for overseas intermediaries to open accounts. It is recommended that overseas intermediaries add necessary clauses based on CFA contract template. An existing

contract may also be an option but is recommended to cover the full content of the CFA contract template.

- 5、 **If the clauses of the contract template provided by the China Futures Association conflict with or are not applicable to the laws and regulations of the countries in which the overseas intermediaries located. How should overseas intermediaries deal with such conflicts?**

It is suggested that the overseas intermediaries organize and submit those clauses to our company, then our company will give feedback to the exchange; the exchange law department will finally confirm how to deal with it.

- 6、 **Is it necessary for an overseas institution to require its customers to sign the *Notification to Customer* in the *Futures Brokerage Contract*? Is it possible for overseas intermediaries to formulate and change the relevant contents of the *Notification to Customer* according to their own circumstances?**

It is suggested that the CFA contract template should be taken as the basic template, but the relevant provisions can be added according to the circumstances of your own. In principle, the addition of the terms and contents should not break through or conflict with the terms of the CFA contract template.

- 7、 **What kind of account opening materials should be submitted to the energy center by overseas intermediaries?**

The energy center will review the client basic information and the proof of fund.

- 8、 **What is the form of the funds certification provided by the clients to the overseas intermediaries? Whether funds certification needs to be sealed or take other operations by overseas intermediaries?**

According to the *Operational Instructions for the Futures Trader Eligibility Rules of the Shanghai International Energy Exchange*, "If an Overseas Intermediary applies for a trading code on behalf of its Client, the Client's balance of available funds in the margin account at the Account Opening Institution during the five trading days prior to the day of application shall not be less than the amount required by the Exchange." Therefore, it is suggested that overseas intermediaries provide the "capital reconciliation statement" that customers can meet the requirements of available capital balance in the 5 consecutive trading days before the application transaction code, and the relevant effective seal should be stamped on the statement.

Overseas Intermediary shall issue the *Certificate of Client's Compliance with the Requirements for Available Funds of the Futures Trader Eligibility Rules of the Shanghai International Energy Exchange* (see below) for its Client who has passed the eligibility review and shall submit such certificate as account opening materials when applying for a trading code on behalf of the Client. The certificate shall be signed or sealed by the account opening officer and account opening supervisor of the overseas Intermediary.

**Certificate of Client's Compliance with the Requirements for
Available Funds of the Futures Trader Eligibility Rules⁴**

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Shanghai International Energy Exchange:⁴

This is to certify that (name of Client) *(insert the valid ID number)* meets the requirements for available funds of the futures trader eligibility rules of the Shanghai International Energy Exchange, i.e.:⁴

- In the case of an institutional Client, the balance of available funds in the margin account is not less than RMB 1 million or equivalent foreign currency during the five trading days before the Client applies for a trading code.⁴

- In the case of an individual Client, the balance of available funds in the margin account is not less than RMB 500,000 or equivalent foreign currency during the five trading days before the Client applies for a trading code.⁴

Account Opening Officer (signature)⁴

Account Opening Supervisor (signature or seal)⁴

Account Opening Institution⁴

Date:⁴

9、 Are they the same if the transaction codes (such as applying with a passport and a residence document at the same time to apply for transaction code) are applied with different identity documents? Are they the same transaction codes for oversea client to apply in different foreign intermediaries with different documents?

According to the requirement of "*operational rules for offshore traders' unified account opening business*", the foreign trader's real name system requires that overseas traders open accounts in real identity and comply with the requirements of real name system. Foreign traders may not open their accounts with multiple nationalities or multiple identities. "The valid identity document of an overseas individual trader is the passport of the country. Individual trader's valid identity documents for Hong Kong and Macao is permanent residents of Hong Kong/Macao identity card. For individual traders in Taiwan, mainland travel permit for Taiwan residents is the valid identity document. For oversea institutional trader and institutions in Hong Kong, Macao and Taiwan, business

registration certificate is recognized as valid identity document. Therefore, there is only one valid identity document for each client; There would be only one transaction code regardless of the customer's application for open account in different agencies.

10、 Does a customer need to take part in a crude oil knowledge test when overseas intermediaries open an account for the customer? What is the qualifying score? What's the form of the exam?

According to the knowledge test requirements of *Operational Instructions for the Futures Trader Eligibility Rules of the Shanghai International Energy Exchange*, the account holders must participate in the knowledge test of crude oil and account opening institution should retain the relevant test results. The crude oil test takes the spot paper test, the examination question for the next day is released by the energy center through the daily service system every afternoon. The test including 30 questions, participant passes the exam when 24 answers are correct. It should be noted that according to the requirement of knowledge test, " The individual Client and the authorized trader of an institutional Client shall attend the test in person rather than having others to attend the test." Therefore, the overseas intermediaries need to do more job on checking the test participant.

11、 What information needs to be submitted for anti-money laundering? Do FATF member countries need to provide materials and systems and what materials should they provide?

Our company uses the form of a questionnaire to make a thorough investigation of how overseas intermediaries do anti-money laundering work. The specific form of anti-money laundering is formulated by overseas intermediaries according to their own circumstances. In principle, FATF members have already met the anti-money laundering requirements of our country and we no longer do more examination and verification.

12、 How to submit anti-money laundering related information by overseas agencies outside FATF?

Overseas agencies in Non-FATF member states need to do anti-money laundering in accordance with China's anti-money laundering requirements.

13、 What is the size of the company's dealing housing? How many traders? How many night traders? Is there any trader speak English?

The company has 5 traders working in daytime, 1-2 traders work at night, and specially equips with traders who speak English to provide services to overseas customers.

14、 How to apply for hedging positions and what is the procedure ?

- (1) Account opening institution submits the application for hedging positions to the Exchange's electronic hedging position management system;
- (2) The Exchange carries out the review and approval procedure according to relevant regulations;
- (3) The account opening institution obtains the reviewing results via the Exchange's

electronic hedging position management system, and then prints and sends such results to its Client.

15、 How to apply for arbitrage trading positions?

(1) Account opening institution submits an application for arbitrage trading in the Exchange's electronic arbitrage trading position management system;

(2) The Exchange carries out the review and approval procedure according to relevant regulations.

(3) The account opening institution obtains the reviewing results via the Exchange's electronic arbitrage trading position management system, and then prints and sends such results to its Client.

Part 2 Internet Technology

1、 How many employees in Information technology department currently? Is there any person responsible for the abutment of overseas business? If have, how many?

There are twenty-two employees in technology department now; Also, there are three persons take over the abutment business.

2、 How many lab houses belong to our company? Where are they distributed in?

Nowadays, there are six data centers totally and they distribute in Shanghai, Changsha and Beijing, the major business system operates in Shanghai Zhang jiang lab house.

3、 What's the main trading system of the company? Is it possible for us to abut with overseas intermediaries? If have, please offer the agreement.

Nowadays, the main trading system of the company is shanghai futures information technology CTP system; CTP system supports the abutment of overseas intermediaries and agency special participant settlement; The shanghai futures information technology CTP system also provides the FIX (financial information exchange) agreement ports and file abutment and the overseas customers abutment(please find the fix ports development in the attachment)

4、 Which method used in system abutment? Specially line or any other method? What's the expense and how long does it spend on this abutment system?

Our company can offer internet, special line, and several other connection ways.

The internet abutment: The advantage is it can abut in any time, spend less time and no abutment expense. The disadvantage is that the network is not very stable and safe.

Specially line abutment: The advantage is the network is relatively stable and safe. on the other hand, it needs longer turn-on time and higher expense. The turn-on time for a special line abutment from HK to inland needs about 2 months. The expense is about RMB twelve thousand per month. There will be a few differences in other regions between time and expense.

5、 What is the largest number of customers and trading volume of crude oil that the company system can carry?

There is no upper limit for loading customers and trading volume in theory.

CTP system can load no upper limit customers and volume of business in theory. The main difficulty is the limit on the maximum number of entries per second. Currently, the peak value of company system is 500 entries per seconds, but the actual test of the system can load up to 1200 entries per second.

6、 What is the maximum amount and time required to support for a single order, Can the system support the order dismantling?

The system supports the maximum number of entries: 1200 order / sec, at present, the actual peaking value is 500 order / sec; The Crude Oil Exchange limits the maximum number of entries under 100 order / sec for every single trading seat

System entry time: after testing, the speed of our high frequency system is about 1ms; the speed of our main system(CTP) is about 3~5ms;

Whether the system supports the dismantling of order: CTP trading system doesn't support for dismantling of order, overseas intermediaries can use other client software for order dismantling.

Part 3 Risk Management

1、 How many employees are there in the company's risk management department at present? Is there a special person responsible for serving overseas intermediaries?

At present, there are 10 employees in the risk management department. The risk management department is the backstage department, which is not directly link up to another agency. The international crude oil department is responsible for the unification of the related overseas business.

2、 What is the principle of risk control?

The risk management department carries out risk control according to the relevant domestic administrative regulations, departmental rules, normative documents and self-regulation rules, including the provisions of futures exchanges and futures brokerage contracts. The ratio of margin shall not be lower than the regulations of the exchange.

3、 How to notify overseas intermediaries if risk occurs? Whether there will be a special person to give notice?

If there is a risk of transaction, our company will notify the overseas intermediary agency in accordance with the form designated by futures brokerage contract, and the international crude oil department shall communicate with overseas intermediaries.

4、 What is the position limit for overseas intermediaries? What is the position limit to a single customer?

	Since the day of contract listing, to the first month before the delivery month		Since the day of contract list, to the last trading day of the third month preceding the delivery month;		The second month preceding the delivery month		The first month preceding the delivery month	
	Positions of a crude oil futures contract	Position limit (%)	Positions limit (Lots)		Positions limit (Lots)		Positions limit (Lots)	
		Futures company members, overseas special non-brokerage participants, overseas intermediaries	Non-futures company members, overseas special non-brokerage participants	Customers	Non-futures company members, overseas special non-brokerage participants	Customers	Non-futures company members, overseas special non-brokerage participants	Customers
Crude oil	≥75,000 Lots	25%	3,000	3,000	1,500	1,500	500	500

5、 What is the standard for the large trader position report? What is the position limits for sending report? How to send it?

According to the provisions of the exchange, if the general position of a futures contract of an overseas intermediary reaches 60% of the general position limit prescribed by the energy center, it should be reported to the energy center by 15:00 of the following trading day. The overseas intermediary should submit large trader position report through the futures company members.

Part 4 Settlement and Delivery

1、 At present, how many personnel are there in the department of settlement and delivery? Is it possible to arrange a special person to communicate with and serve overseas intermediaries?

The department of settlement and delivery has 10 personnel at present and we set up a special person to serve overseas intermediaries.

2、 What is the schedule and detailed procedure of fund remittance? How many days will it take to transfer from the futures capital account to the NRA account? How many days will it take to transfer from the NRA account to the overseas bank accounts of the company? Does foreign exchange transfer need to be checked by China’s foreign authority?

In accordance with the regulations of the exchange, we only accept fund deposit and withdraw through bank-future transfer at this stage.

Time of bank-future transfer:

Fund deposit 8:30—15:30 20:30—2:30

Fund withdraw 9:05—15:30

The bank-future transfer is real time transfer. If encounters examination and verification of the State Administration of Foreign Exchange (the specific time is uncertain), the Futures Company cannot determine the specific time for the fund arrival)

3、 What is the way for overseas intermediaries to remit money: through electronic remittance or manually remittance? Can overseas intermediaries transfer money by

telephone? Whether the telephone access equipped with a special person, and what is detailed procedure of fund remittance?

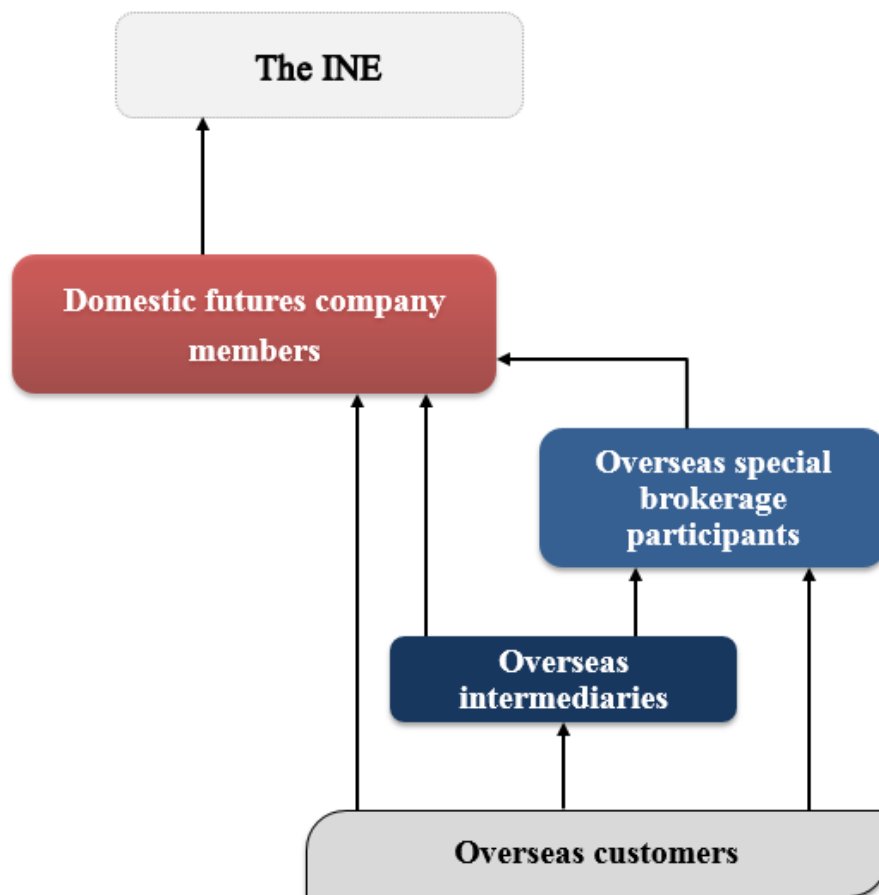
At present, our company can only accept bank-future transfer which overseas intermediaries can only operate fund transfer through internet. We do not accept fund transfer by the telephone.

4、 How to notify overseas intermediaries about by the completion of the settlement?

After the settlement is completed, our company will send the settlement bill and the data to the overseas intermediary agency through the designated contact way.

5、 How does the overseas customer participate in the delivery through overseas intermediaries?

(For Details, please refer to *Introduction of Overseas customers' delivery through overseas intermediaries*)



Part 5 NRA accounts opening

1、 How many banks can be chosen to open NRA accounts by overseas intermediaries?

At present, there are no documents that restrict the number of opening NRA account by overseas intermediaries, overseas intermediaries can choose several qualified depository banks to open accounts.

2、 How many banks that our company has already cooperated with and signed to open the NRA account? What are the documents to be provided for the opening of the NRA account? What is the detailed account opening process?

Our company has already cooperated with the Bank of China and the Bank of Communications. The company will consider adding other banks on the basis of later account opening conditions.

The information and process required by each bank to open the NRA account are different. Overseas intermediaries should refer different banks for specific information (see the annex).

3、 Which bank is the most convenient for foreign intermediaries to choose?

At present, we recommended overseas intermediaries to choose Bank of China and Bank of Communications that our company has already cooperated with.

4、 Does overseas intermediary need to appoint and send a special person to deal with the issue of opening account in China? Or can the staff of the Futures Company be entrusted to deal with it?

At present, most banks agree that overseas intermediary as authorized persons, can issue a sealed authorization and designate agent to handle the account opening business, which should be handled at the bank counters. Banks sites and specific account opening materials are depending on the requirements of different banks.

5、 If each bank has a different exchange rate or fee, how to choose?

The futures company would choose the bank according to the clauses of agency agreement and futures brokerage contract.