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Settlement Rules of China Securities Depository and Clearing Corporation Limited

Disclaimer: For the avoidance of doubt, the Chinese version of the rules issued by China Securities Depository and Clearing Corporation Limited shall prevail, while the English translation is for reference only.

Chapter I General Provisions

Article 1 To regulate securities and funds settlement business, maintain the normal settlement order in the securities market, forestall and mitigate settlement risks, and safeguard legitimate rights and interests of investors, the Settlement Rules of China Securities Depository and Clearing Corporation Limited (hereinafter referred to as “the Rules”) is formulated by China Securities Depository and Clearing Corporation Limited (hereinafter referred to as “CSDC” or “the Company”) in accordance with an array of pertinent laws, administrative regulations, and department rules, including the *Securities Law of the People’s Republic of China*, the *Regulation on the Supervision and Administration of Securities Companies*, the *Regulation on the Risk Disposal of Securities Companies*, and the *Measures for the Administration of Securities Registration and Settlement*.

Article 2 The Rules shall be applied to the settlement business that the Company directly carries out for the stocks, bonds, depositary receipts (DRs), securities investment fund shares, asset-backed securities, and other types of securities traded on stock exchanges and other national securities trading venues approved by the State Council, as well as the settlement business the Company conducts upon entrustment for securities other than those stated above. .

Where the Company otherwise provides the settlement of securities derivatives, domestically listed foreign stocks, stocks under the Mainland-Hong Kong Stock Connect program, stocks under the H-share Full Circulation program, asset management products within its own open-ended fund registration and settlement system, and other products, these provisions shall prevail.

Article 3 The Company shall provide multilateral netting, gross settlement, bilateral netting, agency collection and payment, and other settlement services for settlement participants according to the securities variety, transaction mode, risk status, and other factors.

Article 4 Eligible securities companies, futures companies, commercial banks, and other institutions may apply to the Company and take part in the Company’s securities and funds settlement business as settlement participants upon approval.

Eligible commercial banks may apply to the Company to become settlement banks,

and the Company shall decide whether to approve such applications or not according to the needs for securities fund settlement businesses such as deposit and transfer of settlement funds.

Market entities participating in the Company's settlement-related businesses, such as settlement participants and settlement banks, shall comply with the Company's *Rules for the Management of Settlement Participants*, the *Measures for the Management of Securities and Funds Settlement Businesses by Settlement Banks*, and other relevant business rules.

Article 5 The Company shall establish a centralized securities settlement account and a centralized funds settlement account to handle centralized clearing and settlement of securities and funds for settlement participants.

Settlement participants if participating in the Company's settlement business shall open securities settlement accounts and funds settlement accounts in accordance with the Company's provisions for the settlement of securities and funds.

Article 6 Securities and funds follow the principle of tiered settlement. The Company shall handle the settlement between the Company and a settlement participant or between any two settlement participants, while a settlement participant shall be responsible for the clearing and settlement between itself and its clients.

The securities transfer between a settlement participant and its clients shall be entrusted to the Company for handling on its behalf.

Article 7 Before the completion of settlement by the Company, no one shall be allowed to use the securities, funds, and collateral used for settlement.

Article 8 The clearing and settlement process of securities and funds already started by the Company as per the business rules shall not be interrupted, revoked, or changed, and the settlement shall be irrevocable upon completion.

Where the settlement process is suspended by the Company as notified by a stock exchange in accordance with the provisions of the Securities Law, the Company shall consult the stock exchange about the handling of specific matters.

Where a stock exchange cancels a transaction in accordance with the Securities Law before the Company's clearing and settlement procedures begin, the Company shall not include the relevant transaction in the scope of clearing and settlement as notified by the stock exchange.

Article 9 For the securities transactions included in the multilateral netting settlement, the Company shall act as the central counterparty from the commencement of clearing and settlement, and conduct securities and funds settlement with a settlement participant following the DvP Principle.

The DvP principle is that in the settlement process between the Company and a settlement participant the settlement of securities and funds are mutually conditional. That is to say, if and only if the settlement participant fulfills the funds settlement obligation, the corresponding securities will be delivered, and if and only if the settlement participant fulfills the securities settlement obligation, the corresponding funds will be paid.

Article 10 The settlement dates of the Company are every Monday to Friday, and

national legal holidays are non-settlement dates. Where securities trading venues announce other closing or suspension arrangements, the relevant clearing and settlement arrangements shall be subject to the notice issued by the Company.

Chapter II Multilateral Netting

Section I Clearing and Settlement

Article 11 On each trading day (T day), the Company shall, based on the transaction results of the securities included in the scope of multilateral netting on that day and other data, calculate the quantity of securities receivable or payable under each relevant securities account affiliated with the securities settlement account of a settlement participant and then calculate the net amount of funds receivable or payable under the relevant funds settlement account to generate the clearing results for that day and send them to the settlement participant in a timely manner.

Article 12 According to the clearing results on T day, the Company and a settlement participant shall perform the corresponding obligations of delivering securities and funds.

(1) Where securities are payable under the relevant securities accounts affiliated with the securities settlement account of the settlement participant, the settlement participant shall ensure that the securities payable under the relevant securities accounts are in full by 16:00 on T day.

(2) Where securities are receivable under the relevant securities accounts affiliated with the securities settlement account of the settlement participant, the Company shall deliver securities to the settlement participant according to the Rules.

(3) In the case of net funds payable under the settlement participant's funds settlement account, the settlement participant shall deliver the funds in full to the Company by 16:00 on T+1 day, the final settlement time point.

(4) In the case of net funds receivable under the settlement participant's funds settlement account, the Company shall deliver the funds to the settlement participant in accordance with the Rules.

Article 13 A settlement participant shall, based on the data such as the T-day securities transaction results and the Company's T-day clearing results, perform the clearing of its client transaction, including the calculation of securities receivable or payable and the net funds receivable or payable for each client, before the clearing results of client transactions are generated.

Article 14 A settlement participant may pledge the collateral for settlement to the Company.

The Company shall dispose of the collateral for settlement during the processes of clearing & settlement and default according to the actual conditions of the settlement participant in the two processes.

Securities under the settlement participant's proprietary securities account may be pledged as the collateral for settlement. With clients' consent, the settlement participant may pledge the securities under the securities accounts of its clients as the collateral for client settlement business.

The securities pledged by the settlement participant as the collateral for settlement

shall have no defects of rights.

Article 15 The Company shall, in principle, calculate the market value of the collateral securities based on the closing price of the day, and set the discount ratio of the collateral securities based on many factors such as types, volatility, and liquidity of the securities in the collateral for settlement.

Article 16 At the end of T day, a settlement participant shall ensure that the securities payable in its relevant securities accounts are sufficient given the clearing results on T day.

Where the securities payable in the relevant securities accounts of the settlement participant are in full, the Company shall transfer the securities payable from the corresponding securities accounts. Where the securities payable in the relevant securities accounts of the settlement participant are not in full by 16:00 on T day, it shall constitute a default of securities settlement.

Article 17 At the end of T day, with the entrustment of the settlement participant, the Company shall transfer the securities receivable to the relevant securities accounts affiliated with the securities settlement account of the settlement participant given the clearing results on T day..

Where the Company is unable to transfer the securities receivable to the corresponding securities accounts at the end of T day due to the failure of the settlement participant to fulfill the obligation related to securities payable at the end of T day, the Company shall proceed in accordance with Article 39 of the Rules.

Article 18 At the end of T day, the Company shall compare the available balance of a net funds payable settlement participant's funds settlement account with the amount of net funds payable on T day given the T day clearing results.

Where the available balance in the funds settlement account is sufficient, the Company shall transfer the securities receivable to the corresponding securities accounts and freeze the corresponding funds in the funds settlement account in accordance with Article 17 of the Rules.

Where the available balance in the funds settlement account is insufficient, the Company shall combine the settlement participant's funds settlement account and collateral account for funds verification. Where the aggregate value is found sufficient, the Company shall transfer the securities receivable to the corresponding securities accounts and freeze the corresponding funds and collateral in the funds settlement account and collateral account of the settlement participant pursuant to Article 17 of the Rules. Where the aggregate value is found insufficient, the Company shall transfer the securities receivable to the corresponding securities accounts, freeze the corresponding funds and collateral in the funds settlement account and collateral account of the settlement participant, and then, given the funds verification results and the instructions declared by the settlement participant, place a "sellable settlement block" tag on the corresponding net receivable securities in accordance with the Rules.

Article 19 The Company shall not place the "sellable settlement block" tag on the securities receivable for the brokerage business and securities margin trading and short selling business of securities companies or the brokerage business of futures companies. Securities companies and futures companies, as settlement participants,

shall ensure that the net funds payable are in full for their brokerage business and securities margin trading and short selling business at the end of T day.

Article 20 A net funds payable settlement participant can declare Type A or Type B instructions to the Company before the specified time limit on T day in accordance with the Company's business rules. Type A instruction is used to indicate a list of receivable securities that the participant suggests for tagging, and Type B instruction is used to indicate a list of receivable securities that the participant appoints as exempt from tagging.

Where the settlement participant declares the Type A instruction to the Company and the value of the securities under Type A instruction is greater than or equal to the shortfall of the funds settlement account as indicated by the funds verification, the Company shall only tag the securities under Type A instruction with "Sellable Settlement Block"..

Where the settlement participant declares the Type B instruction to the Company and the value of the securities under Type B instruction is less than or equal to the sum of the available balance of the verified funds settlement account and the value of collateral for settlement, the Company shall add the "Sellable Settlement Block" tag to the net receivable securities other than the securities under Type B instruction.

Where the settlement participant declares both Type A and Type B instructions on the same trading day, the Company shall hold the Type A instruction and skip Type B instruction directly.

Article 21 Where a settlement participant is found with insufficient funds through verification and falls under one of the following circumstances at the end of T day, it is deemed to declare to the Company the instruction that all net receivable securities of the settlement participant on the day are **tagged with "Sellable Settlement Block"**:

- (1) Failure to declare Type A or Type B instructions to the Company;
- (2) Type A instruction is declared, but the declared securities under Type A instruction is insufficient;
- (3) Type B instruction is declared, but the declared securities under Type B instruction is excessive;
- (4) Errors existing in the content or format of the declaration, and failure to re-declare within the specified time limit.

Article 22 The Company arranges multiple batches from 9:00 to 16:00 on T+1 day for the settlement of securities and funds between the Company and a settlement participant.

For the batches before 16:00 on T+1 day, where the available balance in the funds settlement account of a settlement participant is sufficient, the Company shall remove the "Sellable Settlement Block" tag from all the securities; otherwise, the tag shall not be removed.

For the batch at 16:00 on T+1 day (also the last one of the day), where the available balance in the funds settlement account of the settlement participant is sufficient, the Company shall remove the "Sellable Settlement Block" tag from the relevant securities; where the balance is insufficient, the Company shall proceed as set out in

Article 24 of the Rules; and where the net funds payable for transactions on T day are still insufficient, it shall constitute a default of funds settlement.

Article 23 Where a settlement participant settles proprietary, brokerage, custody, and other businesses at the same time, the Company will perform clearing separately for each business type and deliver securities and funds.

Article 24 Where a settlement participant conducts settlement for proprietary business and for brokerage business or custody business, and the funds in the funds settlement account of the settlement participant for brokerage business or custody business are insufficient, the Company may use the funds in the funds settlement account of the participant for proprietary business to complete the settlement of funds for its brokerage business or custody business.

Where the funds in the funds settlement accounts of the settlement participant for brokerage business and custody business are both insufficient, the funds in the funds settlement account of the settlement participant for proprietary business shall be preferentially used to complete the funds settlement of its brokerage business.

Article 25 A settlement participant shall handle the settlement of securities and funds between itself and its clients according to the clearing results of client transactions.

Section II Settlement Default Disposal

Article 26 The Company shall collect interest on the advanced funds and default fines to the settlement participant from the date of its funds settlement default.

Article 27 In the event of funds delivery default by a settlement participant, the Company, as the central counterparty, shall use the following funds in order to complete the funds delivery with the counterparty settlement participant:

- (1) Proprietary funds among the collateral for delivery of the defaulting settlement participant;
- (2) The portion of the securities settlement guarantee fund paid by the defaulting settlement participant;
- (3) The portion of the securities settlement guarantee fund allocated by the Company; and
- (4) The portion of the securities settlement guarantee fund paid by other settlement participants.

Where the funds listed in the preceding paragraphs still cannot satisfy the funds delivery needs of the counterparty settlement participant, the Company may also use the following funds:

- (1) Securities settlement risk fund;
- (2) Credit support from commercial banks and other institutions; and
- (3) Other funds.

Article 28 Where a settlement participant expects that it will not be able to fulfill its funds delivery obligation in full by 16:00 on T+1 day, it shall declare to the Company the pledged securities for repurchase, the collateral for delivery, "To-Be-Disposed

Settlement Block” securities within the range of “Sellable Settlement Block” securities and so on as the securities to be disposed by the specified time point on T+1 day.

Article 29 [Default of Proprietary Trading] In the event of funds delivery default under the proprietary trading of a settlement participant, the Company shall proceed and nail down the to-be-disposed securities in the following order until the value of the relevant assets is sufficient to cover the amount of delivery funds in default:

- (1) Use the proprietary funds in the collateral for delivery of the settlement participant;
- (2) Convert the proprietary securities tagged with “Sellable Settlement Block” into “To-Be-Disposed Settlement Block” securities upon the declaration of the settlement participant;
- (3) Determine the collateral for delivery as the to-be-disposed securities given the declaration of the settlement participant. Where there is no declaration or insufficient declaration, the proprietary securities in the collateral for delivery pledged by the settlement participant shall be designated as the securities to be disposed; and
- (4) Deduct other proprietary securities of the settlement participant.

Where the value of the assets determined in the preceding paragraphs is sufficient to cover the amount of delivery funds in default of the settlement participant, the Company shall remove the remaining “Sellable Settlement Block” tag from the securities in proprietary securities account of the settlement participant.

Article 30 In the event of funds delivery default under the custodian business of a settlement participant, the Company shall proceed and nail down the to-be-disposed securities in the following order until the value of the relevant assets is sufficient to cover the amount of delivery funds in default:

- (1) Use the proprietary funds in the collateral for delivery of the settlement participant;
- (2) Convert “Sellable Settlement Block” securities into “To-Be-Disposed Settlement Block” securities given the declaration of the settlement participant;
- (3) Determine the collateral for delivery as the securities to be disposed given the declaration of the settlement participant. Where there is no declaration or insufficient declaration, the proprietary securities in the collateral for delivery pledged by the settlement participant shall be designated as the securities to be disposed ;and
- (4) Deduct other proprietary securities of the settlement participant; and
- (5) The Company shall select the securities accounts of the settlement participant in the descending order of the market value of their “Sellable Settlement Block” securities, and convert all the “Sellable Settlement Block” securities in the selected securities accounts into “To-Be-Disposed Settlement Block” securities.

Where the value of the assets determined in the preceding paragraphs is sufficient to cover the amount of delivery funds in default of the settlement participant, the Company shall remove the remaining “Sellable Settlement Block” tag from the securities in the relevant securities accounts of the settlement participant. Where the value is insufficient, the Company may deduct the collateral for delivery pledged by the settlement participant to cover its exposure..

Article 31 In the event of funds delivery default under the brokerage business and securities margin trading and short selling business of a settlement participant, the Company shall proceed and nail down the securities to be disposed in the following order until the value of the relevant assets is sufficient to cover the amount of delivery funds in default:

- (1) Use the proprietary funds in the collateral for delivery of the settlement participant;
- (2) Determine the collateral for delivery as the securities to be disposed given the declaration of the settlement participant. Where there is no declaration or insufficient declaration, the proprietary securities in the collateral for delivery pledged by the settlement participant shall be designated as the securities to be disposed;and
- (3) Deduct other proprietary securities of the settlement participant.

Article 32 Where a settlement participant declares the pledged securities for repurchase as the securities to be disposed, the Company shall deduct the value of the pledged securities for repurchase declared from total default amount, and then proceed in accordance with Articles 29, 30, and 31 of the Rules.

Article 33 The Company shall, in principle, calculate the value of the securities to be disposed determined in accordance with Articles 29, 30, and 31 of the Rules given the closing price on that day, and the value of the collateral for delivery in accordance with Article 15 of the Rules .

Article 34 Where the amount of delivery funds in default of a settlement participant still cannot be made up after operations in accordance with Articles 29, 30, and 31 of the Rules, the Company shall verify whether the receivable securities corresponding to the settlement participant's funds delivery default have been used for real-time lending under securities refinancing.

Where the corresponding securities receivable have been used for real-time lending under securities refinancing, the Company shall request China Securities Finance Corporation Limited (CSF) to restrict the application for extending the corresponding securities lending business and the application for over-the-counter return, and dispose of the receivable securities as soon as possible after the return to make up for the amount of delivery funds in default.

Where the corresponding securities receivable have been outside the Company's securities registration and custody system after cross-market transfer, or used for other businesses resulting in the Company's inability to obtain the corresponding securities, the Company shall recover losses from the defaulting settlement participant in accordance with the law.

Article 35 For the securities to be disposed determined in accordance with Articles 29, 30, and 31 of the Rules, a settlement participant may apply to the Company for substitution of the corresponding securities on T+2 day.

Article 36 Where a defaulting settlement participant makes up for the payables, default fines, and interest on T+2 day, the Company shall remove the "To-Be-Disposed Settlement Block" tag from the securities in the corresponding securities accounts of the settlement participant and return the proprietary securities and other relevant securities to be disposed to the settlement participant.

Where the defaulting settlement participant fails to make up for the payables, default fines, and interest at the end of T+2 day, the Company shall transfer the relevant securities to be disposed and their yields to the Company's special liquidation account.

Article 37 From T+3 day, the Company may dispose of the securities to be disposed as well as their rights and interests. The proceeds from disposal, after disposal expenses are deducted, shall be used to make up for the delivery funds in default, default fines, and interest. The surplus of the proceeds from disposal and relevant securities, if any, shall be returned to the defaulting settlement participant. Where there is still a shortfall, the Company shall continue to recover the losses from the defaulting settlement participant.

Article 38 The Company may use the securities settlement guarantee fund and the securities settlement risk fund to make up for the loss incurred by the securities or funds that cannot be recovered within the prescribed period in accordance with the law. After that, the Company shall continue to recover the losses from a defaulting settlement participant.

Article 39 In the event of securities delivery default by a settlement participant, the Company, as the central counterparty, may use the following securities to complete delivering the securities with the counterparty settlement participant:

- (1) The identical securities submitted by the defaulting settlement participant for offsetting purposes;
- (2) The identical securities purchased with funds in the special liquidation account; and
- (3) The identical securities from other sources.

In the event of the failure to obtain the full amount of identical securities in time to complete the delivery of securities with the counterparty settlement participant, the Company may take the following measures:

- (1) Temporary borrowing of securities to complete the delivery with the counterparty settlement participant;
- (2) Delayed delivery of securities to the corresponding receivable securities accounts of the counterparty settlement participant;
- (3) Cash settlement with the counterparty settlement participant; and
- (4) Other measures that the Company may take.

Article 40 Where a settlement participant defaults on the settlement of securities by the end of T day, the Company shall temporarily withhold the corresponding receivable funds from delivering to it and transfer the funds to the Company's special liquidation account as the funds to be disposed. Where the settlement participant has no funds receivable, the Company shall deduct the balance of its funds settlement account.

The Company shall charge the defaulting settlement participant a default fine from T day. Where the defaulting settlement participant makes up for the settlement securities in default, their rights & interests, and default fines on T+1 day, the Company shall deliver the aforementioned temporarily withheld funds to it. Where it fails to do so,

the Company may use the funds to be disposed to buy in securities and make up for the defaulting securities from T+2 day. If there is any surplus of the funds to be disposed after they are used to make up for the settlement securities in default as well as related default fines and expenses, the surplus part shall be returned to the defaulting settlement participants. Where there is still a shortfall, the Company shall continue to recover the losses from the defaulting settlement participant.

Article 41 Where a client fails to fulfill its obligation to deliver securities or funds to a settlement participant, the settlement participant may recover losses from the defaulting client in accordance with its agreement with the client.

Where the settlement participant fails to deliver in time funds or securities receivable to a client who normally fulfills its securities or funds settlement obligation in accordance with the agreement between the two, it shall be liable to the client for breach of contract and compensate for the losses caused to the client as a result.

Article 42 The Company may assist a settlement participant in transferring the securities of its defaulting clients upon the entrustment of the settlement participant as per the pertinent business rules of the Company.

The settlement participant shall be responsible for the legality, truthfulness, accuracy, and completeness of the act and content related to the entrustment of the Company to help it transfer the securities of its defaulting clients. The losses and legal liabilities sustained by its clients due to the settlement participant's failure to obtain their consent, the incorrect or false declaration, or other reasons shall be borne by the settlement participant itself.

Article 43 At the end of each trading day, the Company shall send to a settlement participant the information on the "Sellable Settlement Block" and "To-Be-Disposed Settlement Block" securities, the submission of collateral for settlement, and other aspects. The settlement participant shall provide its clients with inquiry service about securities tagging or inform its clients of the status of securities tagging.

The Company shall provide investors with the services of inquiring securities tagging. If conditions permit, the Company may, upon application of a settlement participant, copy its designated clients on the detailed data of the clients sent by the Company to the settlement participant.

Article 44 Where clients suffer losses due to a settlement participant, they may claim rights against the settlement participant.

The agreement between a settlement participant and its clients shall provide for a wide range of matters, such as the declaration of the "Sellable Settlement Block" and "To-Be-Disposed Settlement Block" securities by the settlement participant, the submission of collateral for settlement, the declaration of securities to be disposed, the application for the Company's assistance in transferring the securities of defaulting clients, the agreement with and approval of the Company's default disposal results and effectiveness, the approaches to dispute resolution, and the responsibility-assuming entities.

Section III Tagged Securities

Article 45 Adding the "Sellable Settlement Block" tag to securities means that the Company has not received the full amount of funds payable from a settlement

participant after the delivery of the securities, and the relevant securities are still in the process of settlement. Where the settlement participant fails to fulfill its obligation of funds settlement, the Company may dispose of the relevant securities as the defaulted ones.

Article 46 The securities added with the “Sellable Settlement Block” tag can be sold on T+1 day, and the tag shall not affect the sale of such securities. Where a settlement participant defaults on the settlement of funds at the end of T+1 day, the Company will retain the proceeds from the sale of the “Sellable Settlement Block” securities to cover the losses arising from the funds settlement default on T+1 day.

The securities added with the “Sellable Settlement Block” tag can be used for declaring various businesses during the T+1 day. Where the tag is removed at the end of T+1 day, the relevant businesses will be handled successfully.

Article 47 Where a settlement participant defaults on the settlement of funds, the Company shall change the tag of the securities from “Sellable Settlement Block” to “To-Be-Disposed Settlement Block” upon the declaration of the settlement participant or in accordance with its own business rules. The Company has the right to dispose of the securities with “To-Be-Disposed Settlement Block” tag and shall have the priority right for claim.

Article 48 Except for the default disposal as prescribed in the Rules, the “To-Be-Disposed Settlement Block” securities shall not be used for any business.

Article 49 The matters related to “Sellable Settlement Block” and “To-Be-Disposed Settlement Block” securities, such as inquiry, distribution of rights and interests, and voting, shall be handled in accordance with the relevant provisions of the Company for securities registration.

The tags of “Sellable Settlement Block” and “To-Be-Disposed Settlement Block” securities shall be applied to the securities and the interest arising therefrom.

Chapter III Other Settlement Services

Article 50 Where the Company handles gross settlement for a settlement participant, each securities transaction shall be cleared independently. Neither the receivable and payable securities nor the receivable and payable funds of one settlement participant shall be netted, and each transaction shall be delivered according to the clearing results.

Article 51 Where the Company conducts bilateral netting for a settlement participant, the securities transactions concluded between buyers and sellers shall be netted to determine the quantities of receivable and payable securities as well as the net amount of receivable or payable funds of the settlement participant. Then, the securities and funds shall be delivered according to the clearing results.

Article 52 Where the Company handles agency collection and payment business for a settlement participant, the settlement participant and other entities may perform the clearing procedures and upload the clearing data by themselves. The Company shall handle the agency collection and payment business in accordance with its own business rules, the agreement between the recipient and the payer, etc.

Article 53 The Company may, in light of actual business development and market needs, provide settlement services other than the abovementioned ones in accordance

with the law.

Chapter IV Risk Management

Article 54 A settlement participant shall establish and improve a sound settlement risk control system in accordance with the Company's relevant provisions and its own business needs.

Article 55 The Company may adopt appropriate risk control measures for a settlement participant given such factors as market risk conditions and the risk profile of the participant.

Article 56 A settlement participant shall deposit settlement reserve in its funds settlement account.

The settlement reserve can be used for the delivery of funds under securities trading and non-trading businesses carried out by the settlement participant.

The deposit, use, and management, among other matters, of the settlement reserve shall be handled in accordance with the pertinent provisions of the Company.

Article 57 A settlement participant shall pay securities settlement guarantee fund to the Company.

The securities settlement guarantee fund can be used to provide liquidity and compensate for losses in the event that the settlement participant defaults on the settlement of securities/funds.

The payment, use, and management, among other matters, of the securities settlement guarantee fund shall be handled in accordance with the pertinent provisions of the Company.

Article 58 The Company shall, in accordance with the *Measures for the Management of Securities Settlement Risk Fund*, collect, manage, and use the securities settlement risk fund for advancing or covering the shortfalls it suffers due to the settlement default, technical failure, operational error, force majeure, and other reasons.

Article 59 The Company may apply for credit lines from commercial banks and other institutions given the actual needs for preventing liquidity risks of the settlement system and ensuring normal operations of the settlement system.

Article 60 In addition to the acceptance of collateral for settlement as prescribed in Article 14 of the Rules, the Company may also require the settlement participant to pledge collateral for settlement in light of the risk characteristics of specific business varieties, the risk status of the settlement participant, and other factors. Specific business rules shall be further formulated by the Company.

Chapter V Self-regulation

Article 61 The Company shall conduct self-regulatory management to settlement participants, settlement banks, and other entities .

Article 62 Where a settlement participant violates the Rules and other business provisions of the Company, the Company shall, depending on the severity of the circumstances, impose single or multiple self-regulatory management measures set out as follows:

- (1) Written warning;
- (2) Mandatory rectification;
- (3) Summoned talk;
- (4) Public criticism;
- (5) Public censure;
- (6) Replacement of relevant personnel;
- (7) Suspension of relevant businesses or business qualifications;
- (8) Termination of relevant businesses or business qualifications; and
- (9) Other measures that may be taken in accordance with the Company's business rules.

Article 63 Where a settlement participant in the category of securities company or futures company has insufficient funds payable for the brokerage business or securities margin trading and short selling business at the end of T day due to the following reasons, the settlement participant can submit a written explanation to the Company, so that the Company may, at its discretion, refrain from taking the self-regulatory management measures:

- (1) Since clients carry out transactions at different securities trading venues, the settlement participant makes transfers across markets out of necessity, as a result the funds are not transferred to the account by the end of T day;
- (2) The failure of the settlement participant to put the funds in place by the end of T day is attributed to the third-party depository bank or settlement bank (such as the delayed transfer of funds or bank system failure); and
- (3) Other valid reasons recognized by the Company.

Article 64 Where a settlement participant defaults on the settlement of securities or funds, the Company shall take the self-regulatory measures stipulated in Article 62 against it, depending on the severity of the circumstances.

Article 65 Where a settlement participant defaults on the settlement of funds and fails to declare the securities to be disposed within the prescribed time limit, it shall constitute a major settlement default.

The Company may take the following measures in the event of a major settlement default by the settlement participant:

- (1) Suspend or terminate some or all of its settlement business or suspend or revoke its qualification as the settlement participant, and request related securities trading venues to stop its transactions; and
- (2) Request China Securities Regulatory Commission (CSRC) to take corresponding regulatory measures against it based on relevant regulations.

Chapter VI Division of Obligations

Article 66 The Company, as the central counterparty, shall assume the settlement obligation to a settlement participant following the DvP principle. The settlement

participant shall perform the settlement obligation to the Company in respect of all the proprietary, brokerage, custody, and other businesses where it is responsible for settlement.

The settlement participant shall fulfill its obligation of settlement to clients in accordance with the agreement between them. Clients shall fulfill their obligation of settlement to the settlement participant in accordance with the agreement between them.

Where clients default on the settlement with the settlement participant, the settlement participant shall not refuse to fulfill its obligation of settlement to the Company for this reason, nor shall it affect the ongoing or completed clearing and settlement operations of securities and funds or the disposal of settlement default.

Article 67 When the Company handles other settlement services such as gross settlement, bilateral netting, and agency collection and payment business for settlement participants, and the settlement participants fail to complete delivering securities or funds, the settlement participants on both sides shall settle the case through negotiation on their own, and the Company shall not bear the relevant legal liability.

Article 68 A settlement participant shall declare the addition of the “Sellable Settlement Block” tag to securities, declare that the tag of securities changes from “Sellable Settlement Block” to “To-Be-Disposed Settlement Block”, and declare the collateral for settlement. It is responsible for the authenticity, accuracy, completeness, and timeliness of the act and content of declaration.

Where disputes arise from the securities being tagged or disposed of due to the failure of the settlement participant to comply with the preceding paragraph, the settlement participant shall bear the relevant liabilities.

Article 69 Where the clearing and settlement process is affected by force majeure, technical system failure, equipment failure, communication failure, power failure, and other unexpected events, the Company may take emergency measures such as delaying the submission of data and delaying the clearing and settlement operations. Where the clearing and settlement results are wrong due to the above reasons, the Company may correct the clearing and settlement results.

Where there are errors in the clearing results due to the Company, the settlement participant may request the Company to correct the results after fulfilling its obligation of settlement.

Article 70 The Company shall not be legally liable for any loss caused by a settlement participant itself during the processes of settlement and default disposal.

The Company shall not be legally liable for any loss caused by the situation set out in paragraph 1 of Article 69.

Chapter VII Supplemental Provisions

Article 71 Where a settlement participant defaults on the settlement of funds, the transfer of relevant securities to be disposed between the securities account of the defaulting settlement participant or the securities accounts of investors, the Company’s special liquidation account, and the Company’s securities disposal account is a special securities transfer conducted by the Company based on the

clearing and settlement process and, which is not subject to the Company's non-trading transfer provisions.

Article 72 A settlement participant shall pay business fees related to securities and funds settlement as per the Company's prescribed rates. Where the CSRC, securities trading venues, and other units authorize or entrust the Company to collect fees on their behalf, the Company shall proceed as authorized or entrusted.

Where the business related to securities and funds settlement involves taxation, the pertinent national regulations shall be followed.

Article 73 Terms in the Rules are defined as follows:

Central counterparty is the entity that acts as the counterparty to all buyers and sellers in the settlement process, by providing trade guaranty to ensure the smooth operations of settlement.

Obligation of settlement means that a client shall deliver securities or funds in full to its settlement participant in respect of the transactions concluded by it, a settlement participant shall deliver securities or funds in full to the Company in respect of the proprietary, brokerage, custodian, and other businesses settled by it, and the Company shall deliver securities or funds in full to a counterparty settlement participant in respect of the proprietary, brokerage, custodian, and other businesses settled by it.

Collateral for settlement means the assets pledged to the Company by a settlement participant to guarantee that the settlement participant will perform its obligation of funds settlement to the Company.

Special liquidation account means an account established by the Company to deposit the securities and funds temporarily undelivered or withheld by the Company in the event of settlement default by a settlement participant.

Centralized securities settlement account refers to the account established by the Company for the centralized settlement of securities between the Company and settlement participants.

Centralized funds settlement account refers to the account established by the Company for the centralized settlement of funds between the Company and settlement participants.

securities settlement account refers to the account opened by a settlement participant with the Company through application for the settlement of securities.

funds settlement account, i.e. settlement reserve account, is the account opened by a settlement participant with the Company through application for the settlement of funds.

Funds verification refers to the process through which the Company calculates the aggregate of the funds in the funds settlement account and the value of collateral in the collateral account of a settlement participant at the end of T day, and then compares it with the net funds payable for T-day transactions of the participant. The specific verification algorithm is specified in the Company's business guides.

Securities to be disposed refer to the securities declared by a settlement participant to the Company or withheld by the Company to make up for the losses in the event of funds settlement default, including "To-Be-Disposed Settlement Block" securities,

securities in the collateral for settlement, proprietary securities, and others.

Funds to be disposed refer to the funds receivable that the Company temporarily withholds from delivering to a settlement participant in the event of securities settlement default.

Securities disposal account of the Company refers to the account opened by the Company for the disposal of securities to be disposed.

Cash settlement refers to the settlement conducted by the Company with a counterparty settlement participant in cash through certain calculation methods, when the Company is still unable to obtain the identical securities in time to complete delivering the securities to the counterparty settlement participant through compulsory buy-in and other measures after a settlement participant defaults on the settlement of securities.

Article 74 The Company may formulate specific business rules in accordance with actual conditions of securities varieties, trading methods, and other aspects.

Where the settlement business provisions already issued by the Company are in conflict with the Rules, the Rules shall prevail.

Article 75 The Rules shall be issued, and altered upon approval by the CSRC.

Article 76 The Rules shall be interpreted by the Company.

Article 77 The Rules shall be implemented as of 20 June, 2022.

