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Trading Rules on Carbon Emission Allowances of China Emissions Exchange (2019 Revision)

Contents

Chapter One General Rules.....	1
Chapter Two Trading Market.....	1
Section 1 Marketplace.....	1
Section 2 Trading Participants.....	1
Section 3 Trading Objects and Specifications.....	3
Section 4 Trading Hours.....	3
Chapter Three Allowance Trading.....	4
Section 1 Listing and Picking.....	4
Section 2 Negotiated Transfer.....	5
Chapter Four Fund Monitoring, Trading Settlement, Allowance Delivery and Acceptance.....	5
Chapter Five Other Trading-related Matters.....	6
Section 1 Opening price, Closing price and Price up/down limit.....	6
Section 2 Suspension, Resumption and Termination of Trading.....	7
Chapter Six Trading Information.....	8
Chapter Seven Supervision and Management.....	8
Chapter Eight Settlement of Trading Dispute.....	9
Chapter Nine Trading Expenses.....	9
Chapter Ten Supplementary Provisions.....	9

Chapter One General Rules

- 1.1** These Rules are formulated in accordance with relevant laws, rules and regulations of the People’s Republic of China as well as the *Tentative Management Measures for Carbon Emissions in Guangdong Province* for the purpose of regulating Guangdong carbon emissions allowance (hereinafter “Allowance”) trading activities, maintaining an orderly carbon market and protecting the legitimate rights and interests of trading participants.
- 1.2** These Rules are applicable to the trading of Allowance legally organized and implemented by China Emissions Exchange (hereinafter referred to as “the Exchange”).
- 1.3** Trading of Allowance at the Exchange shall comply with laws, rules and regulations as well as relevant rules of the Exchange and shall be based on the principles of openness, fairness, free will and equality, integrity and good faith.

Chapter Two Trading Market

Section 1 Marketplace

- 2.11** The Exchange provides the marketplace, relevant facilities and other relevant services for Allowances trading.
- 2.12** The marketplace and relevant facilities comprise trading floor, data center, information distribution system, trading system, clearing, settlement and delivery system as well as other backup systems relating to Allowance trading.

Section 2 Trading Participants

- 2.2.1** Trading participants involved in the carbon emissions allowances trading through the Exchange mainly include:
- (1) Compliance entities, companies, and enterprises with new project covered in Guangdong carbon emissions allowances (GDEA) trading system;

(2) Institutional investors, other organizations and individuals conforming to the provisions of the Administration.

2.2.2 The Exchange implements membership management system. The trading participants shall become the members of the Exchange or entrusted members of the Exchange to participate in trading. The Exchange shall report lists of members to Department of Ecology and Environment of Guangdong Province on a regular basis.

The membership management system of the Allowance trading will be formulated by the Exchange separately.

2.2.3 Participants shall enjoy the following rights:

- (1) Participate in Allowance trading and relevant activities;
- (2) Participate in relevant trainings held by the Exchange;
- (3) Employ the equipment and facilities provided by the Exchange;
- (4) Obtain the market information of the Allowance trading and relevant services provided by the Exchange;
- (5) Supervise the work of the Exchange and raising the comments or suggestions;
- (6) Other rights attributed to the participants according to relevant laws.

2.2.4 Participants shall perform the following obligations:

- (1) Abide by relevant laws and regulations, these Rules and other management policies published by the Exchange;
- (2) Protect the trading account and trading password properly, undertake corresponding legal liability for trading instruction issued by corresponding trading account and the trading result arising therefrom, as well as undertake all liabilities for the all the consequences arising from the usage of trading account;
- (3) Learn about the information, bulletin and various policies published by the Exchange in an active and timely manner, and bear the loss due to the failure to paying reasonable attention;
- (4) Strictly perform the contract and conduct the trading fairly, as well as undertake the risk and legal liability for the contract they signed;
- (5) Cherish the facilities of the Exchange, maintain the reputation of the Exchange

and pay all relevant expenses as required;

(6) Promptly report the Exchange in case of any material event relating to the trading;

(7) Guarantee the authenticity, integrity and validity of materials provided and undertake corresponding legal liabilities arising thereof;

(8) Other obligations attributed to the participant as stipulated by relevant policies of the Exchange.

Section 3 Trading Objects and Specifications

2.3.1 The trading objects mentioned in these Rules mainly include:

(1) Guangdong Emissions Allowance (GDEA);

(2) Other objects approved by Department of Ecology and Environment of Guangdong Province .

2.3.2 Allowance Trading Units:

(1) Trading unit: tons of carbon dioxide equivalent (tCO₂e);

(2) Quotation unit: RMB/Ton, round all the numbers to two decimal places;

(3) Minimum trading volume: 1 ton;

(4) Minimum price fluctuation unit: RMB0.01/ton;

Section 4 Trading Hours

2.4.1 The Exchange is open for trading from Monday to Friday. Trading hours shall be 9:30-11:30a.m. and 13:30-15:30p.m. of the trading days ((subject to the time of trading system server). The market is closed on public holidays and other days pre-announced by the Exchange. The Exchange may adjust the trading hours according to the market condition.

2.4.2 In spite of temporary market closure resulting from due causes, the day's trading hours shall not be extended.

Chapter Three Allowance Trading

3.1 Methods for Allowance spot trading include listing and picking, negotiated transfer and other methods approved by Department of Ecology and Environment of Guangdong Province. .

3.2 Trading participants shall open the Allowance account in the registration system, open a trading account at the Exchange and open the fund account in the bank designated by the Exchange in his/her real name.

3.3 Before the entrustment order is submitted, the trading participant shall ensure that there are sufficient Allowances or funds available in his/her trading account.

3.4 After the trading is completed, the trading system will automatically generate the electronic certificate, which shall be the trading documentation with the corresponding legal effect.

Section 1 Listing and Picking

3.1.1 The trading participant submits the “sell” or “buy” orders for listing picking to the Exchange including quantity and price. The interested assignee or assignor reviews the list of real-time orders to pick out the intent order, submits “buy” or “sell” orders and then complete the trading.

3.1.2 The trading participant submits the entrustment order for listing picking to the Exchange to collect the intent assignees or intent assignors. The order shall include the product code, entrustment quantity, unit price and buy or sell, etc. The corresponding products or fund will be frozen after the entrustment order is completed. After freezing, the entrustment will be placed into the entrustment queue.

The intent assignee or intent assignor reviews the list of real-time orders to pick out the intent order, and then complete the trading. In accordance with the principles of price priority and time priority, a priority is given to a lower sell order for intent assignees and a priority is given to a higher buy order for intent assignors. Execution price shall be the sell or buy quoted price and the trading quantity shall be the number of the sell or buy orders.

3.1.3 The assignor can cancel the order at any time when the trading is not executed.

The unexecuted part of the orders can also be cancelled and resubmitted at any time.

Section 2 Negotiated Transfer

3.2.1 Negotiated Transfer refers to trading completed through the Exchange upon agreed negotiation by trading participants (excluding individual investors). The trading volume of single transaction for negotiated transfer shall not be less than 100,000 tons of carbon dioxide equivalents.

3.2.2 The Exchange imposes a price up/down limit of 30% on instructed price compared with previous closing price for negotiated transfer.

3.2.3 Trading participants submit order for negotiated transfer to the Exchange. The order shall include information such as code of trading object, quantity, price, buy or sell as well as the information of the assignor and assignee. After being confirmed by both sides and reviewed by the Exchange, the order shall be executed.

3.2.4 The execution prices of negotiated transfer shall not be included in immediate market information of the Exchange. The trading volume shall be included in Allowance total trading volume of the trading day after settlement.

Chapter Four Fund Monitoring, Trading Settlement.

Allowance Delivery and Acceptance

4.1 The settlement of the Carbon Emission Allowance trading in the Exchange implements the system of third-party bank custody. No organization or individual can occupy, embezzle or employ the trading settlement fund of the participant deposited in the designated settlement bank in the name of the Exchange, or use the trading settlement fund of the participant to provide the guarantee for others.

4.2 The Exchange conducts trading settlement after all trading ends on the same day. Allowance shall be transferred from trading account of assignor to that of assignee and the fund for Allowance sold on the trading day shall be transferred from trading account of assignee to that of assignor through the settlement bank. The fund for

Allowance sold on the trading day shall be transferred into the bank account on the next trading day.

4.3 The Exchange organizes Allowance delivery and acceptance. Ownership change of Allowance shall be handled in the registration and record system of Guangdong Province by Department of Ecology and Environment of Guangdong Province according to relevant rules and settlement results of the Exchange.

4.4 The settlement, delivery and acceptance time of all Allowance trading at the Exchange shall be 15:30 - 17:00p.m on the same day. However, the Exchange may adjust the settlement, delivery and acceptance time on an as-needed basis in case of special circumstances and the Exchange shall give further notice.

Carbon emission allowance settlement system shall be subject to the implementation rules published by the Exchange.

Chapter Five Other Trading-related Matters

Section 1 Opening price, Closing price and Price up/down limit

5.1.1 The opening price of the trading day at the Exchange shall be the closing price for listing and picking of the previous trading day. The transaction of listing and picking between 9:30:00 and 9:31:59 shall not be calculated into the closing price. The closing price shall be the opening price of the same day when the amount of transaction for listing and picking is or below 100 ton. The closing price shall be the weighted average price of all the transaction for listing and picking after 9:32:00 (inclusive) when the amount of transaction for listing and picking exceeds 100 ton.

5.1.2 The Exchange imposes a daily price up/down limit of 10% of opening price on executed prices for listing and picking.

Section 2 Suspension, Resumption and Termination of Trading

5.2.1 The Exchange may suspend single Allowance trading or whole system trading when any of the following cases happens, and the Exchange may adopt appropriated measures for trading resulting in serious consequences or confirm that trading is invalid:

- (1) Where all or part of the trading cannot be conducted due to the technical failure of the trading system, hacking, accidents and other force majeure events;
- (2) Where any suspected illegal and incompliant trading occurs, trading volume exceeds a certain scope or high-frequency trading occurs or other abnormal situation occurs;
- (3) Where any situation influencing the normal trading or other situation being considered suspending the trading by the Exchange.

The Exchange shall report the decision of trading suspension to Guangdong Provincial Department of Ecological Environment immediately, and make an announcement therefor.

5.2.2 After the situation requiring the suspense of trading eliminates, the Exchange may determine to resume trading. Time and method of suspending and resuming the trading shall be determined by the Exchange.

5.2.3 During the period of suspending the trading, the trading system does not accept orders that shall be suspended or any other orders. After the resumption, the trading instruction before the suspense shall enter the normal trading procedures.

5.2.4 Any trading participants or Allowance trading fails to possess trading qualification or fulfill the conditions for trading as required by the relevant laws, regulations and policies, the Exchange shall promptly terminate the trading participant or the Allowance trading and make an announcement therefor.

5.2.5 The Exchange shall bear no liability for any loss incurred by the participant due to the suspension, resumption and termination of the trading.

Chapter Six Trading Information

6.1 The Exchange shall publish the real-time market information of Allowance trading and open information of Allowance trading on each trading day.

6.2 The Exchange shall compile relevant statistical statement and analysis report reflecting condition of market transaction on a regular basis and publish them timely on the website of the Exchange.

6.3 The Exchange, trading participants and settlement banks are forbidden to leak commercial secrets acquiring from Allowance trading.

The Exchange may provide relevant information to competent department or other relevant companies according to rules and implement confidentiality provisions.

6.4 The Exchange may adjust ways and contents of information published.

Specific information management system on Allowance shall be subject to the implementation rules published by the Exchange.

Chapter Seven Supervision and Management

7.1 The Exchange places restrictions on Allowance holdings. The amount of Allowance held by trading participants shall not exceed regulated limitation.

7.2 The Exchange implements settlement risks prevention and control system, and manages members' settlement funds in separate accounts.

7.3 The Exchange supervises and examines relevant trading behaviors of trading participants, settlement banks and other participants of Allowance trading according to these Rules and relevant implementation rules and reports them to Guangdong Provincial Department of Ecological Environment on a regular basis.

7.4 The Exchange shall blame and call for rectification when discovering illegal behaviors of insider trading, market manipulation, abnormal trading between trading participants through announcement of such organizations of trading supervision, complaint and reporting, trading competent department or other channels. The Exchange may take punitive measures such as communication warning, written

warning, circulating a notice of criticism, restricting trading, suspending or terminating trading, other relevant business qualifications or membership qualification according to seriousness of the case.

The Exchange builds up bad credit records of trading participants and makes records and announcement of illegal trading information of trading participants.

Chapter Eight Settlement of Trading Dispute

8.1 Any dispute arising between the participants from Allowance trading shall be settled through negotiations or be submitted to the arbitration agencies or the People's Court for mediation.

Chapter Nine Trading Expenses

9.1 Participants who participate in the Allowance trading activity, or other institutions or individuals employ the information of the Exchange shall pay relevant handling fee, information usage fee and other expenses to the Exchange.

9.2 Handling fees shall be charged according to relevant rules published by provincial competent department of price and other Fee details and charging standard of the Allowance trading shall be subject to the Allowance charging standard published by the Exchange.

Chapter Ten Supplementary Provisions

10.1 The power to revise and interpret these Rules shall rest with the Exchange, and the Exchange may work out the implementation rules and measures based on these Rules.

10.2 These Rules shall be implemented as from the date of promulgation.

China Emissions Exchange

January 7th, 2019