

**Disclaimer:** This English translation of Business Guidelines (2019 Revision) is for information purpose only. Should there be any discrepancy between contents in Chinese and English versions, the Chinese version always prevails.

**Business Guidelines on Repurchase Trading of  
Guangdong Carbon Emission Allowance of China  
Emissions Exchange (2019 Revision)**

**1** These guidelines are formulated in accordance with *the Tentative Management Measures for Carbon Emissions in Guangdong Province, Implementing Provisions on Carbon Emission Management of Guangdong Provincial Development and Reform Commission, Trading Rules on Carbon Emission Allowances of China Emissions Exchange (2018 Revision)* and *Membership Management Provisional Measures of China Emissions Exchange (2017 Revision)* as well as other relevant laws, regulations, rules and systems for the purpose of regulating operation of repurchase trading business of Guangdong carbon emission allowances (hereinafter referred to as the Allowance) and protecting the legitimate rights and interests of trading participants.

**2** Conducting repurchase business of the Allowances at China Emissions Exchange (hereinafter referred to as “the Exchange”) shall comply with laws, rules and regulations of the State and province and shall be based on the principles of openness, fairness, free will and equality, integrity and good faith and must not violate others’ legitimate rights and interests or harm social public interests.

**3** The repurchase trading of Allowance refers to the trading that, when the Allowance holder in Guangdong Province (repo) sells the Allowance to the buyer (reverse repo), they agree that the repo will buy back the same amount of Allowance from the reverse repo at an agreed price on a future date.

**4** Participants of repurchase trading of the Allowance shall meet the following requirements:

- (1) The trading participant shall be the institutional member of the Exchange possessing proprietary business qualification;
- (2) The trading participant shall not have behaviors in breach of laws and contracts affirmed by Guangdong Provincial Development and Reform Commission and the Exchange within three years;
- (3) The single listing shall reach at least 100,000 tons when applying.

**5** The trading prices of repurchase of the Allowance (including price of trading day

and price of repurchasing day) are agreed by both trading parties in repurchase agreement while the price of repurchasing day shall not go beyond or fall below the price up/down limit of 30% of the price of trading day.

**6** The repurchase trading of the Allowance only takes trading volume and execution revenues into account. The settlement prices of trading day and repurchasing day shall not be included in the closing price.

**7** The trading participants shall sign repurchase trading agreement with legal effect. The repurchase agreement shall include contents such as trading participants' information, amount of the Allowance, trading price, trading date and maturity date.

**8** The trading participants shall send relevant written materials including repurchase trading agreement to the Exchange. The Exchange shall review on relevant trading information and inform trading participants of the result within three working days after receiving written materials.

**9** The trading participants of repurchase trading shall log on trading system of the Exchange on trading date and repurchasing date determined in agreement and fill in and confirm application form according to tips issued by the system. The information in application form shall be consistent with relevant information in repurchase agreement. The content of application information shall include trading participants' information, amount of the Allowance, trading price, trading date and maturity date, etc.

**10** The Exchange will check application form on repurchase trading submitted by the trading applicants and complete the Allowance transfer and fund settlement after finishing checking.

**11** Compliance companies and institutional organizations shall strictly abide by relevant regulations on the holding capacity of the Allowance regulated by Department of Ecology and Environment of Guangdong Province. .

**12** For compliance companies participating in repurchase trading, the trading date and

maturity date shall fall within the same year of fulfilling obligation. For the repurchase trading without participation of compliance companies, the maturity date shall not be later than the end date of Guangdong carbon emission trading pilot.

**13** When the discounting coefficient is lower than 0.7 in the repurchasing trading with participation of compliance companies as repo (including custodied Allowances of compliance companies), the Exchange shall freeze certain amount of Allowances sold by the repo in the trading account of reverse repo. Thereinto, the repurchase trading discounting coefficient= $\frac{\text{the price of trading day}}{\text{the weighted average execution price of listing and picking for Allowances of twenty trading days before trading day}} \times 100\%$  ; freezing ration= $1 - \text{repurchase trading discounting coefficient}$ . Frozen allowances in principal shall be unfrozen by the Exchange after review on repurchasing day and dispose them according to repurchase trading agreement or other compliant forms regulated by both parties.

**14** Trading participants can set up margins in agreement accordingly or other compliant guarantee forms. The Exchange can provide supervision service on margin according to trading participants' agreement.

**15** If the participants of repurchasing trading breach contracts and have economic disputes during disposal process, the two parties shall solve them upon self-negotiation. The Exchange shall not undertake legal responsibility accordingly.

**16** The Exchange reserves the right to interpret and revise the Rules.

**17** The guideline shall come into force from the date of publication.

China Emissions Exchange

January 9<sup>th</sup>, 2019