

Notice on Issues Regarding the Implementation of the Master Agreement for Bond Repurchase in China's Inter-bank Market

(2013 Edition)

(CCDC [2013] No. 102)

To all settlement participants,

The Master Agreement for Bond Repurchase in China's Inter-bank Market (2013 Version) (hereinafter referred to as the Master Agreement) has been published and effected on Jan 21, 2013. According to *Announcement [2012] No. 17 of the People's Bank of China* (hereinafter referred to as the Announcement), the transitional period shall be the 12 months (Jan. 21, 2013 to Jan. 21, 2014) after the publication of the *Master Agreement*. During the transitional period, market participants shall sign *the Agreement*, and relevant market intermediaries shall accomplish business system upgrading. In order to ensure the implementation of the requirements of *the Announcement* and the safe and sound operation of settlement for bond repo business before and after the implementation, CCDC has accomplished the upgrading of the relevant system, which will be launched on Dec. 15, 2013. Issues regarding the implementation and system upgrading are hereby notified as follows:

I. Repo Business

For pledged and outright repos incurred after the system upgrading, CCDC will calculate the interval and the repo rate of the repo contract in accordance with the formula stipulated in the Master Agreement. For pledged repo already existing before the system upgrading, CCDC will not recalculate the repo rate.

II. Early Termination

For repo contracts to be settled at the settlement date, whose first installment is waiting for funds or that is to be paid at the settlement date and to be settled at the maturity date, if the trading parties identify a “termination event” according to relevant provisions in the Master Agreement, they may apply with CCDC for early termination of the corresponding repo contract. Trading parties shall fax to CCDC the sealed early termination instruction (see Appendix 1 and Appendix 2) with the authentication code. After reviewing the document, CCDC will process the termination, and the corresponding repo contract will no longer be implemented fulfilled. The early termination fee is RMB 200/transaction, which shall be charged applied to each trading party respectively.

III. Default

When both trading parties confirm the occurrence of an “event of default” in accordance with relevant terms of the *Master Agreement*, they may request CCDC to freeze the repo contract. Both parties shall submit written application materials stating reasons and process of default, the defaulting party and the handling opinions. CCDC, upon acceptance and verification of those materials, will then freeze the contract as agreed by both parties and proceed with the subsequent handling.

IV. Subsequent Handling after Failure of Settlement at Maturity

1. Pledged Repo

In case of failure of settlement at maturity of a pledged repo contract due to default, both trading parties may apply to CCDC for repayment, and the business procedures and fee schedules shall be implemented as per existing regulations of CCDC.

In case of failure of settlement at maturity of a pledged repo contract for other reasons, both trading parties may handle, upon consultation, overdue sell-back through the Client of the ChinaBond Integrated

Operation Platform (CIOP). The overdue sell-back instruction shall be initiated by the repo party and confirmed by the reverse repo party. The fee rate is RMB200 per deal for both trading parties.

2. Outright Repo

In case of failure of settlement at maturity of an outright repo contract, both trading parties may apply to CCDC for non-trade transfer of repurchased bonds and repayment of bond collateral, and the business procedures and fee schedules shall be implemented as per existing regulations of CCDC.

V. Management of Bond Collateral

In accordance with the *Master Agreement*, the bond collateral under a repo business can be substituted upon consultation by both parties and adjusted according to bond valuation (mark-to-market). Therefore, CCDC has developed and operated the Collateral Management Service System, providing such services as mark-to-market, risk exposure calculation, collateral replenishment and substitution, bond collateral settings in terms of scope, pledge sequence and pledge ratio, substitution at maturity, and other automatic services.

To conduct pledge bond management business, settlement participants shall submit *Application for Collateral Management Service for the Bilateral Pledge Business* (see Appendix I of the *Guidelines for Bond Collateral Management Service of China Central Depository & Clearing Co., Ltd.*) to CCDC before January 21, 2014 and complete relevant procedures.

1. Mark-to-Market

At the beginning of each business day, the CCDC system will calculate and compare the value and risk exposure of the bond collateral in each repo transaction based on the ChinaBond valuation result on the previous

business day. Settlement participants may inquire about and print out relevant results in the system under the bond collateral business module.

2. Substitution and Adjustment

For repo contracts that have been successfully settled but have not reached their maturity, both trading parties may determine, upon consultations, whether to substitute or adjust the collateral/guaranteed bonds, on a mark-to-market basis or based on other standards. The substitution and adjustment shall be completed through a bilateral collateral substitution instruction sent by the pledgor and confirmed by the pledgee.

Substitution Instruction: Input the code and face value of the swap-out and swap-in bond.

Replenishment Instruction: The face value of swap-out bond is zero, and that of the swap-in bond is the amount replenished; or the value of the swap-in bond exceeds that of the swap-out bond.

Return Instruction: The face value of the swap-in bond is zero, and that of the swap-out bond is the amount returned; or the value of the swap-out bond exceeds that of the swap-in bond.

3. Others

Other related pledge business and bond collateral management is also handled automatically via the Collateral Management Service System. For specific business procedures and operation procedures, please refer to the *Guidelines for Bond Collateral Management Service of China Central Depository & Clearing Co., Ltd.* (Appendix 3).

VI. Notes

1. All settlement participants are required to go through application procedures for bond collateral management service in accordance with

the *Guidelines for Pledged Bond Management Service of China Central Depository & Clearing Co., Ltd.* and designate authorized management personnel for collateral management service prior to January 21, 2014.

2. Since the *Master Agreement* has made certain adjustments to the existing repo procedures, in case of any discrepancy between the current business rules of CCDC and this Notice, the latter shall prevail.

3. For any questions about the business process, settlement participants may contact CCDC in a timely manner.

For overdue sell-back and contract freeze, please contact: 010-88170780, 88170776

For early termination, default repayment of repo transactions at maturity, and non-trade transfer, please contact: 010-88170733, 88170747

For collateral management services, please contact: 010-88170746, 88170711

It is hereby notified.

Appendices:

1. Emergency Instruction for Early Termination of Pledged Repo
2. Emergency Instruction for Early Termination of Outright Repo
3. Guidelines for Bond Collateral Management Service of China Central Depository & Clearing Co., Ltd.

China Central Depository & Clearing Co., Ltd.
December 12, 2013

Appendix 1

Emergency Instruction for Early Termination of Pledged Repo

Business Voucher No.:__

China Central Depository & Clearing Co., Ltd.:

We apply for early termination of the Contract No._____. The early termination instruction is as follows. We guarantee that the content of the instruction sent is true, accurate, complete and valid.

Electronic Authentication Code: _____(16 digits)

Sending Date:_____(YYYY/MM/DD)[Element 1]

Name of the Generator for Authentication Code:_____ Bond Account No.:__

Name of Repo Party:_____ **Bond Account No.:**_____[Element 2]

Name of Reverse Repo Party: _____ **Bond Account No.:**_____[Element 3]

Settlement Date: _____(YYYY/MM/DD)Maturity Date: _____ (YYYY/MM/DD)

Early Termination Date:_____[Element 4]

Reasons for Termination: ☐ Legal Reasons ☐ Force majeure ☐ Others

Description of Reasons for Termination: _____

Settlement Amount (only for termination of a contract to be performed at maturity, only DVP settlement is allowed): RMB_____

Amount in Words RMB:_____

Signature or Seal of the Handling Personnel: Signature or Seal of the Reviewer:

Tel:

Tel:

Seal of the Institution

Seal of the Settlement Agent or Custodian

Notes:

1. The official seal of the institution shall be consistent with the name of the test key generator. The emergency voucher shall be legible without alteration.
2. This emergency voucher has a total of five elements for electronic test key calculation, among which Element 1 has been displayed by default in the electronic test key authenticator. In event of any inconsistency with the emergency voucher, please manually correct the Element 1. Elements 2 to 5 shall be entered into the authenticator in order based on the information provided in the emergency voucher, and the information must be exactly the same as the that filled in the emergency voucher.
3. This service is handled by the Customer Service Department of CCDC. Fax: 010-88170752.

Appendix 2

Emergency Instruction for Early Termination of Outright Repo

Business Voucher No.:__

China Central Depository & Clearing Co., Ltd.:

We apply for early termination of the Contract No. _____. The early termination instruction is as follows. We guarantee that the content of the instruction sent is true, accurate, complete and effective.

Electronic Authentication Code: _____(16 digits)

Sending Date: _____(YYYY/MM/DD)[Element 1]

Name of the Generator for Authentication Code:_____Bond Account No.:__

No. Of the terminated contract:_____

Name of Repo Party:_____Bond Account No.:_____ [Element 2]

Name of Reverse Repo Party: _____Bond Account No.:_____ [Element 3]

Settlement Date: _____(YYYY/MM/DD) Maturity Date: _____(YYYY/MM/DD)

Early Termination Date: _____(YYYY/MM/DD) [Element 4]

Reasons for Termination: ☐ Legal Reasons ☐ Force majeure ☐ Others

Description of Reasons for Termination:_____

Settlement Amount (only for termination of a contract to be performed at maturity, only DVP settlement is allowed): RMB_____

Amount in Words RMB: _____

Whether to settle in Cash (If yes, the underlying bond of the repo transaction shall no longer be returned): ☐ Yes ☐ No

Account No. of the payer (Available only in cash settlement; otherwise the payer shall be the repo party by default): ☐ Repo party ☐ Reverse repo party

Signature or Seal of the Handling Personnel: Signature or Seal of the Reviewer:

Tel:

Tel:

Seal of the Institution

Seal of the Settlement Agent or Custodian

Notes:

1. The official seal of the institution shall be consistent with the name of the test key generator. The emergency voucher shall be legible without alteration.
2. This emergency voucher has a total of five elements for electronic test key calculation, among which Element 1 has been displayed by default in the electronic test key authenticator. In event of any inconsistency with the emergency voucher, please manually correct the Element 1. Elements 2 to 5 shall be entered into the authenticator in order based on the information provided in the emergency voucher, and the information must be exactly the same as the that filled in the emergency voucher.
3. This service is handled by the Customer Service Department of CCDC. Fax: 010-88170752.

Appendix 3

Guidelines for Bond Collateral Management Service of China Central Depository & Clearing Co., Ltd.

December 2013

1. General Provisions

1.1 In order to improve the risk management mechanism of the bond market, and satisfy the needs of the bond holders to access the bond collateral management service, this Guideline is hereby formulated pursuant to the *Administrative Measures for Bond Registration and Depository in China's Inter-bank Bond Market* and the *Master Agreement on Bond Repo Transactions in China's Inter-bank Bond Market (Edition 2013)*.

1.2 For the purposes of this Guideline, the following definition apply:

Bond Collateral: bonds pledged in such transactions as pledge, pledged repo, outright repo, bond forward, bond lending (bilateral), High Value Payment System (HVPS) automatic pledged financing, Bulk Electronic Payment System (BEPS) pledge quota management, treasury cash management and pledged collateral of extending credit for agreement deposits with commercial banks.

Collateral management service: China Central Depository & Clearing Co., Ltd. (hereinafter referred to as CCDC) provides bond collateral selection, calculation, pledge, mark-to-market, adjustment, substitution, release and other services in accordance with the entrustment and authorization of the pledgee or both the pledger and the pledgee.

Collateral Management Service System: the computer processing system developed, operated and maintained by CCDC that provides collateral management services.

Collateral Management Service System Client: the computer operating platform connected to the Collateral Management Service System that handles collateral services.

Central Bond Bookkeeping System: an electronic bookkeeping system developed, operated and managed by CCDC that provides such services as bond registration, depository, settlement, and etc.

Clients of collateral management service: institutions that entrust CCDC to provide collateral management service and enter into relevant agreements with CCDC.

2. Business Categories

2.1 Collateral management service consists of three categories including bilateral pledge, central pledge and tri-party pledge.

2.2 Bilateral pledge is a pledge business where underlying assets and bond collateral are determined by consultation between the pledger and the pledgee, including pledge in pledged repo, guarantee in outright repo and forward transaction, and bond bilateral lending pledge.

2.3 Central pledge is a pledge business with only one pledgee and at least two potential pledgers, and is divided into the three sub-categories: the central pledged financing, central pledged lending for bond lending purposes, and margin substitution as performance guarantee.

Specifically, the central pledged financing includes HVPS automatic pledge financing business and treasury cash management business. Margin substitution includes Bulk Electronic Payment System (BEPS) pledge quota management business and pledged collateral of extending credit for agreement deposits with commercial banks. Currently, there is no central pledged lending approved by competent authorities or having been handled in the market.

Clients of central pledge business are divided into two categories: principal pledgee clients and ordinary clients. The principal pledgee client is the sponsor of a central pledge business, also known as the principal pledgee. The ordinary client is the contracting counterparty of a central pledge.

2.4 The tri-party pledge business is a pledge business where the pledger and the pledgee only determine the underlying assets (such as financing amount or the face value of bond lending, interest rate or fee, etc.)

through consultation, while the corresponding collateral management service is entrusted to CCDC. Currently, there is no tri-party pledge approved by competent authorities or having been handled in the market.

2.5 Clients who entrusts CCDC to provide collateral management service listed in article 2.2, 2.3 and 2.4 of this Guideline shall ensure in advance that the business itself is permitted by relevant regulatory authorities or relevant laws, regulations and regulatory rules, and that the handling of the business by the pledger and the pledgee is also allowed by relevant regulatory authorities or laws, regulations and regulatory rules.

3. Entrustment and Acceptance

3.1 Entrustment and acceptance of the collateral management service of the bilateral pledge business

3.1.1 Settlement participants applying for the collateral management service of the bilateral pledge business shall submit to CCDC an *Application for Collateral Management Service for the Bilateral Pledge Business* (see Appendix I), clarifying the name and term of the bilateral pledge business concerned. CCDC accepts the application and handles relevant registration procedures in the Collateral Management Service System.

3.1.2 Settlement participants who need to adjust, stop allows more or fewer, or terminate the business types or terms of the collateral management service of the bilateral pledge business shall submit to CCDC an *Application for Alteration of Collateral Management Service for the Bilateral Pledge Business* (see Appendix II). CCDC accepts the application and handles the relevant registration procedures.

3.1.3 Settlement participants shall handle collateral business via Collateral Management Service System Client after given access to the collateral management service.

3.2 Application and acceptance of principal pledgees of the central pledge

business

3.2.1 Principal pledgee of a central pledge business who requires access to collateral management service shall sign the *Collateral Management Service Agreement for Principal Pledgee* (Appendix III), and submit to CCDC the following materials:

- a. *Basic Information of Collateral Management Service for the Central Pledge Business* (see Appendix IV);
- b. *Information Registration Form for Principal Pledgees of Collateral Management Service* (see Appendix V); and
- c. Other materials required by CCDC.

CCDC shall handle the corresponding procedures upon accepting and approving the materials.

3.2.2 The principal pledgee who have been granted access to the collateral management service shall handle the collateral business through the Collateral Management Service System Client.

3.2.3 Principal pledgee of the central pledge business who needs to apply for the collateral management service of the bilateral pledge business shall handle relevant procedures in accordance with the requirements of Article 3.1 of this *Guideline*.

3.3 Application and acceptance of contracting counterparties of the central pledge business

3.3.1 The contracting counterparty of a central pledge business shall submit to CCDC a *Letter of Commission and Commitment of the Contracting Counterparty of Collateral Management Service for the Central Pledge Business* (see Appendix VI) and an *Information Filing Form for the Counterparty of Collateral Management Service* (see Appendix VII). CCDC shall handle relevant procedures upon the

acceptance of the materials.

3.3.2 The Principal pledgee may register relevant business qualifications of the contracting counterparty through the Collateral Management Service System Client after entering into agreement with the counterparty.

3.3.3 The Principal pledgee may handle the cancellation procedures of the contracting counterparty through the Collateral Management Service System Client if the principal pledgee needs to terminate the business qualifications of its contracting counterparty.

3.3.4 Principal pledgee who entrusts CCDC to handle the registration and cancellation of the contracting counterparty shall submit the *Power of Attorney for Registration of the Counterparty to the Central Pledge Business* (see Appendix VIII) or the *Power of Attorney for Cancellation of the Counterparty to the Central Pledge Business* (see Appendix IX).

3.3.5 Settlement participant registered as the contracting counterparty of a central pledge business who needs to apply for the collateral management service of the bilateral pledge business shall handle relevant procedures in accordance with the requirements of Article 3.1 of this Guideline.

3.3.6 The contracting counterparty who have been granted access to the collateral management service shall handle the collateral business through the Collateral Management Service System Client.

4. Parameter Management

4.1 The Collateral Management Service System parameters include general parameters as well as basic and special parameters of the central pledge business.

The general parameters are basic parameters of the collateral management service, and are managed and maintained by CCDC.

The basic parameters of the central pledge business are business

parameters of all central pledge business, which can either be determined and maintained by the principal pledgee, or determined by the principal pledge and maintained by CCDC upon entrustment of the principal pledgee. In case of the latter, the *Letter of Authorization for Parameter Maintenance in the Central Pledge Business* should be submitted (see Appendix X).

The special parameters of the central pledge business are specific business parameters central pledge business, can either be determined and maintained by the principal pledgee, or determined by the principal pledge and maintained by CCDC upon entrustment of the principal pledgee. In case of the latter, the *Letter of Authorization for Parameter Maintenance in the Central Pledge Business* should be submitted.

4.2 General parameter management

4.2.1 Term to maturity: the number of days from the starting date of the pledge business of a bond to the maturity date. The parameter of term to maturity includes term to maturity and the interval of days.

Term to Maturity	Interval
1 month	≤ 60 days;
3 months	> 60 days, ≤ 135 days
6 months	> 135 days, ≤ 255 days
9 months	> 255 days, ≤ 315 days
1 year	> 315 days, ≤ 18 months
2 years	> 18 months, ≤ 30 months
3 years	> 30 months, ≤ 4.5 years
5 years	> 4.5 years, ≤ 6.5 years
7 years	> 6.5 years, ≤ 9 years
10 years	> 9 years, ≤ 13 years
15 years	> 13 years, ≤ 18 years
20 years and above	> 18 years

4.2.2 Bond credit rating: refers to the credit rating of a bond by a qualified professional rating agency. Based on the qualified bond rating information publicly available on the market, CCDC sets the bond credit

rating parameters in the Collateral Management Service System, including the rating agency name and the bond credit ratings.

4.2.3 Pledge sequence: refers to the order in which bonds are selected for the central pledge business. The sequence may be defined by bond type, term to maturity or credit rating. There are two sequences – the “ordinary sequence” and “reverse sequence”:

	Ordinary Sequence	Reverse Sequence
Bond Type	Sovereign bonds are posted as collateral first.	Non-sovereign bonds are posted as collateral first.
Term to Maturity	Bonds with a short term to maturity are posted as collateral first.	Bonds with a long term to maturity are posted as collateral first.
Bond Credit Rating	Credit bonds with high ratings are posted as collateral first.	Credit bonds with low ratings are posted as collateral first.

4.2.4 Automatic substitution interval: refers to the days between the starting date when the system automatically initiates substitution of bonds, which have reached maturity but are still pledged, and the book closure day.

4.3 Management of the basic parameters of the central pledge business

The basic parameters of the central pledge business include the scope of bond collateral, the calculation basis of collateral value, pledge ratio, pledge sequence, over-collateralization ratio and critical excess collateral ratio.

4.3.1 Scope of bond collateral: refers to the scope of bonds acceptable as collateral to the principal pledgee of a central pledge business, including the scope of bond type, term to maturity and bond credit rating.

The steps for determining the scope of bond collateral are as follows: First, select the acceptable bond type. Second, select the acceptable term to maturity under the selected bond type. Third, for non-sovereign credit bonds, select the acceptable credit rating. Fourth, set the effective date. The new scope of bond collateral will be initiated on the effective date, the original scope of bond collateral will be rendered invalid, but the

pledge business that already happened will not be affected. The contracting counterparty may set and adjust its sub-scope of bond collateral of the business through the client terminal within the scope of bond collateral of the business set by the principal pledgee.

4.3.2 Calculation basis of collateral value: refers to the base value used for the calculation of collateral value, which can be derived from four options, namely, bond valuation, face value, issuance price and principal amount.

4.3.3 Pledge ratio: refers to the ratio of the risk exposure to the collateral value required to cover the risk exposure, equal to “1 minus the haircut rate”, expressed in %.

Within the scope of acceptable bonds, the final pledge ratio shall be the product of three initial pledge ratios, which are set according to the bond type, term to maturity and bond credit rating respectively. If any of the three initial ratios is not set, the system will process the ratio as 100% by default.

4.3.4 Pledge sequence: refers to the order in which the bonds are selected for the central pledge business, as determined by the principal pledgee in accordance with the requirements of 4.2.3 of the Guideline, There are both an “ordinary sequence” and a “reverse sequence” according to the bond type, term to maturity or bond credit rating.

4.3.5 Over-collateralization ratio: refers to the proportion of the collateral value, which is calculated based on the pledge ratio, in excess of the risk exposure, expressed in %. The over-collateralization ratio can be set at zero minimum. If no over-collateralization ratio is set, the system will set it as zero by default. The relationship between the risk exposure and the bond face value required to cover the exposure is:

Risk exposure × (1 + over-collateralization ratio) = face value × calculation basis of collateral value per RMB one hundred worth of collateral × total pledge ratio of the bond type/100

4.3.6 Critical excess collateral ratio

The excess collateral ratio refers to the proportion of the difference between the collateral value and the risk exposure to the risk exposure, expressed in %:

Excess collateral ratio = (collateral value - risk exposure)/risk exposure × 100%

The critical excess collateral ratio is the lowest value of the excess collateral ratio set by the principal pledgee. When the actual excess collateral ratio is less than the critical excess collateral ratio, the Collateral Management Service System will activate the automatic collateral replenishment function.

4.4 Management of the special parameters of the central pledged financing

The special parameters of the central pledged financing include the structured repayment terms and corresponding interest rates, maximum repayment term, penalty rate, interest-free rate, total financing amount of this business and the maximum financing amount of the counterparty.

4.4.1 Structured repayment terms and corresponding interest rates, interest-free rate and penalty rate: the structured repayment terms and corresponding interest rates (annualized), interest-free rate and penalty rate may be set according to the daytime hours, and the structured repayment terms and corresponding interest rates (annualized) and penalty interest rate may also be set according to the days and months.

For example, the HVPS automatic pledged financing sets the daytime financing interest rate, interest-free rate and overnight interest rate according to the time points in daytime.

4.4.2 Maximum repayment term: the maximum repayment time allowed after the financing business occurs. Once the preset maximum repayment term is reached, the bond collateral will enter the liquidation auction process and the collateral management service will be closed. If it is not set, the term will be set as unlimited by default.

4.4.3 Total financing amount: the total amount of funds available for lending provided by the principal pledgee on the current day (less the amount repaid). Once the amount is reached, the business will be closed, unless any borrower repays the funds. If it is not set, the amount will be set as unlimited by default.

4.4.4 Maximum financing amount of the contracting counterparty: the maximum amount of funds that a contracting party may borrow. The principal pledgee may set a maximum financing amount for each contracting counterparty. If it is not set, the system will set the amount as unlimited by default.

5. Risk Exposure Management

5.1 The risk exposure is the underlying asset amount covered by collateral, containing three types, namely, fixed exposure, floating exposure and variable exposure.

5.2 Fixed exposure refers to the risk exposure of the collateral-covered underlying asset amount that does not change during the pledge period. It usually equals the amount of principal and interest payable at maturity of the pledge business, remaining fixed and unchanged during the settlement period. In the case of fixed exposure, no maintenance is needed during the entire collateral management period.

5.3 Floating exposure refers to the risk exposure of the collateral-covered underlying asset amount that changes as the posted collateral, collateral value or any other factor changes during the pledge period. As for floating exposure, the system will calculate and update the exposure amount at the beginning of each day according to the latest ChinaBond valuation results of the previous day.

5.4 Variable exposure refers to the risk exposure of the collateral-covered underlying asset amount that may be increased or decreased manually according to business needs. It is adjusted and maintained by the pledgee or pledger according to actual situations and is handled the pledgee or pledger by sending an instruction via the client terminal of the Collateral Management Service System. If an instruction cannot be sent, an *Emergency Instruction for Risk Exposure Adjustment* (see Appendix XI) shall be completed and submitted to CCDC, which will then input the information into the system on behalf of the pledgee or pledger.

5.5 Exposure management means to set the exposure type, exposure calculation method (i.e. calculation of the exposure amount according to each business element), exposure adjustment method and collateral adjustment rules for each business type. The risk exposure management requirements for each business type are as follows:

Business Category	Business Type	Exposure Type	Exposure Calculation Method	Exposure Adjustment Method	Collateral Adjustment Rules
Bilateral pledge	Pledged repo	Floating	Repo party: Collateral value - funding cost	Automatically calculated by the system	Negotiated by the pledger and the pledgee, handled by sending instructions
			Reverse repo party: Funding cost - collateral value		

	Outright repo	Floating	Repo party: Underlying bond value + posted collateral value - funding cost - received collateral value	Automatically calculated by the system	
			Reverse repo party: Funding cost + posted collateral value - underlying bond value - received guaranteed bond value		
	Bond forward	Floating	Bond seller: Full-price forward settlement amount - underlying bond face value× underlying bond valuation/100	Automatically calculated by the system	
			Bond buyer: Underlying bond face value× underlying bond valuation/100× - full-price forward settlement amount		
Bilateral bond lending	Floating	Underlying bond face value × underlying bond valuation/100	Automatically calculated by the system		
Central pledge	PBC automatic pledge business	Fixed	Principal amount	No adjustment needed	Automatically processed by the system based on the comparison results of the collateral value and the risk exposure
	Treasury cash management	Fixed	Matured contract settlement amount	No adjustment needed	
	BEPS pledge quota management	Variable	Upon application by contracting counterparty	Adjustment by contracting counterparty	

	pledged collateral of extending credit for agreement deposits with commercial banks Credit-granting pledge of agreement deposits of commercial banks	Variable	Determined by the principal pledgee according to the business situation	Adjustment by the principal pledgee	
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Note: funding cost = first-term repayment amount + interest on the first-term repayment amount at repo rate from the beginning of the term to the valuation date.

6. Pledge and Release

6.1 The accounting of pledge and release thereof is completed through the Central Bond Bookkeeping System.

6.2 The pledge and release procedures of the bilateral pledge business are as follows: on the first day of the pledge, the Central Bond Bookkeeping System posts the designated bond collateral whose face value is specified in the settlement instruction, and releases the bond collateral on the maturity date. After a pledge is completed, the Bookkeeping System will submit the data to the Collateral Management Service System which will then manage the collateral of those business types and terms chosen for the collateral management service of the bilateral pledge business.

6.3 For the central pledge business, the Central Bond Bookkeeping System and the Collateral Management Service System automatically complete the selection, calculation, pledge and release of the collateral according to relevant instructions and the preset parameters. Specific steps are as follows:

6.3.1 Pledge

6.3.1.1 Selection of Bond Collateral

If a sub-scope of bond collateral is set by the pledger, bonds within this sub-scope are to be selected. If not, those pledger's bonds with available balance are to be selected according to the scope of bond collateral set by the principal pledgee.

6.3.1.2 Determination of the Pledge Sequence

The bonds to be selected and posted as collateral shall be sorted according to the sequence set by the principal pledgee. Bonds with same nature, terms to maturity and ratings shall be sorted in order of available balance amount.

6.3.1.3 Calculation of the required collateral value

The collateral value required to cover the risk exposure shall be calculated based on the risk exposure, overage collateral ratio and other parameters:

Required collateral value = risk exposure × (1 + overage collateral ratio)

6.3.1.4 Determination of the face value

The relationship between the face value, risk exposure and the required collateral value is:

Required collateral value = risk exposure × (1 + overage collateral ratio) = face value × calculation basis value for collateral per RMB 100 × total pledge ratio of the corresponding bond type/100

According to the above relationship and sequence, the collateral ranking the first shall be checked first. If its value is higher than the required

collateral value, the specific face value shall be determined directly in this collateral.

If the value of collateral ranking the first is less than the required collateral value, its outstanding amount shall be fully posted. Then, based on the value of collateral ranking the second and the remaining exposure, the pledge continues until the required collateral value is fully covered. If the total value of all the bond collateral is still insufficient, collateral that are preset by the principal pledgee for partial pledge shall be posted with its available balance. If no partial pledge is allowed, the contract shall be suspended until the end of the day, when a pledge failure occurs if there is still insufficient collateral. The result for successful pledge could be checked through the Collateral Management Service System client terminal.

6.3.2 Release

The release of pledge is completed by reducing the risk exposure in the Collateral Management Service System. The Central Bond Bookkeeping System releases the corresponding collateral according to the new risk exposure. If the risk exposure is reduced to zero, all of the posted collateral will be released.

7. Collateral Management During the Pledge

The collateral management service during the pledge includes daily collateral value calculation, risk exposure check and calculation, comparison, comparison result processing and collateral substitution.

7.1 Bond collateral management during the bilateral pledge

7.1.1 After collateral is successfully posted, the Collateral Management Service System will update the relevant ledgers and statements according to the data on the posted collateral of the business types and terms selected by the settlement members.

7.1.2 At the beginning of each working day, the Collateral Management Service System will calculate and compare the collateral value and risk exposure of each pledge business on the basis of the ChinaBond valuation results in the previous working day, and list the calculation and comparison results in the relevant statements.

7.1.3 The pledger and the pledgee may consult on whether to increase, decrease or replace the collateral on the basis of the above comparison results or other reasons.

7.1.4 The increase, decrease and substitution of collateral are completed by sending collateral substitution instructions. As bilateral instruction, such instructions are sent by the pledger and confirmed by the pledgee.

7.1.4.1 Simple replacement: The code and face value of both the old and the new bond shall be input when sending instructions. If an instruction cannot be sent through the client terminal, an *Emergency Instruction for Collateral Substitution* (see Appendix XII) shall be filled in by both parties and faxed to CCDC with the authentication information, signature so that CCDC may process the substitution.

7.1.4.2 Replenishment: When an instruction is sent, the face value of the old bond is zero, the face value of the new bond is the increased amount; or the value of the new bond exceeds the value of the old bond, and the excess is sufficient to cover the collateral value that needs to be replenished.

7.1.4.3 Return: When an instruction is sent, the face value of the new bond is zero, the face value of the old bond is the decreased amount; or the value of the old bond exceeds the value of the new bond, and the excess is sufficient to cover the collateral value that needs to be returned.

7.2 Bond collateral management during the central pledge

7.2.1 After the collateral is successfully posted, the Collateral Management Service System will update the relevant ledgers and statements.

7.2.2 Daily mark-to-market

At the beginning of each working day, the Collateral Management Service System will calculate and compare the collateral value and risk exposure of each pledge business on the basis of the ChinaBond valuation results of the previous working day, and list the calculation and comparison results in the relevant statements.

7.2.3 Automatic collateral replenishment

When the excess collateral ratio is less than the critical excess collateral ratio, collateral will be automatically replenished with bonds selected and posted as per the following formula and requirements in Article 6.3.1 of the Guideline. The settlement members may, through the Collateral Management Service System client terminal, make inquiries about the results and the updated ledgers and statements.

Incremental collateral value = risk exposure × (1 + overage collateral ratio) - current collateral value

The Collateral Management Service System currently adopts the approach of “increase for shortage and no return of excess”. In other words, if the collateral value is insufficient, an automatic increase will be made, but the extra amount will not be returned.

7.2.4 Automatic substitution of matured bonds

On the starting date of automatic substitution of matured bonds, the system will automatically initiate automatic substitution, calculate the value of and pledge the new collateral according to Article 6.3.1 of the Guidelines, and at the same time release the old bonds. The settlement members may, through the Collateral Management Service System client

terminal, make inquiries about the substitution results and the updated ledgers and statements. If the substitution is not completed by the end of the book closure day, automatic substitution will stop, and the principal payments of the posted bond collateral will be retained until the risk exposure is covered by sufficient collateral.

7.2.5 Manual collateral substitution

Manual collateral substitution is handled by the pledgor through sending collateral substitution instructions. The central pledge business can only make equal amount collateral substitution, and the increase and return of collateral shall be completed by risk exposure increase or decrease. If a substitution instruction cannot be sent through the client terminal, an *Emergency Instruction for collateral substitution of the Central Pledge Business* (see Appendix XIII) shall be completed and faxed to CCDC with signature and seal so that CCDC may process the substitution.

8. Supplementary Provisions

The fees involved in the collateral management service shall be carried out in accordance with the current fee policy of CCDC. Service fees for collateral adjustment and substitution shall be collected by reference to the bond pledge business. For now, no service fee will be charged from the principal pledgee of the central pledge business.

The Guideline shall enter into force at the date of release.

Annex I

Application for Collateral Management Service for the Bilateral Pledge Business

China Central Depository & Clearing Co., Ltd.,

We hereby apply to you for the provision of collateral management service for the bond collateral posted in the bilateral pledge business in the following bond account of ours. This application becomes effective from (YYYY/MM/DD).

Bond Account Name	
Bond Account No.	
Name of Business	Term Requirements for Mark-to-market Service
<input type="checkbox"/> Pledged repo	day(s) and above
<input type="checkbox"/> Outright repo	day(s) and above
<input type="checkbox"/> Bond forward	day(s) and above
<input type="checkbox"/> Bond lending	day(s) and above
Name of Authorized Manager	User Name of Authorized Manager

Common Seal (or Reserved Seal)

Date: (YYYY/MM/DD)

Annex II

Application for Alteration of Collateral Management Service for the Bilateral Pledge Business

China Central Depository & Clearing Co., Ltd.,

We hereby apply to you to alter the collateral management service for the bilateral pledge business in the following bond account. This alteration becomes effective from (YYYY/MM/DD).

Bond Account Name		
Bond Account No.		
Name of Business	Cancellation/Term Alteration/Additional Service	Term Requirements for Mark-to-market Service
<input type="checkbox"/> Pledged repo		day(s) and above
<input type="checkbox"/> Outright repo		day(s) and above
<input type="checkbox"/> Bond forward		day(s) and above
<input type="checkbox"/> Bond lending		day(s) and above

Common Seal (or Reserved Seal)

Date: (YYYY/MM/DD)

Annex III

Collateral Management Service Agreement for Principal Pledgee Customers

Party A:

Address:

Party B: China Central Depository & Clearing Co., Ltd.

Address: 10 Financial Street, Fuxingmen Nei, Xicheng District, Beijing

Whereas Party A commissions Party B, and Party B accepts Party A's commission to render collateral management service of the central pledge business to Party A, Party A and Party B hereto enter into this Agreement to define their respective rights and obligations in connection with regard to the related services.

Chapter 1 General Provisions

Article 1 Definitions of the terms mentioned in this Agreement shall be subject to the definitions specified in the *Guidelines for Bond Collateral Management Service of China Central Depository & Clearing Co., Ltd.* (hereinafter referred to as the "Guidelines").

Article 2 Party A is the principal pledgee of _____ (name of the central pledge business). The central pledge business (hereinafter referred to as the Business) belongs to (please choose one):

- ☐ Central pledged financing;
- ☐ Central pledged lending;
- ☐ Margin substitution business.

Article 3 Party A undertakes that: Party A has read the *Guidelines for Bond Collateral Management Service of China Central Depository & Clearing Co., Ltd.* and other relevant documents prior to the execution of this Agreement, and shall, when using the collateral management service for the Business provided by Party B, comply with all applicable laws and any agreements and other documents binding on Party A; any losses or damage arising from the failure to perform the aforesaid obligations shall be borne by Party A.

Article 4 Both parties agree that the relevant bond registration, depository and settlement rules, the guidelines for collateral management services and charging measures formulated, amended or to be amended in the future by Party B shall be an integral part of this Agreement, and such business rules, charging measures and amendments thereto of Party B shall be published on www.chinabond.com.cn.

Article 5 Party A shall, when handling the business under this Agreement as the principal pledgee, accepting the collateral management service provided by Party B and entering into this Agreement with Party B, ensure that the following conditions are satisfied and assume corresponding legal liabilities: the handling of the business does not violate China's laws and regulations in force or has been expressly approved, permitted or agreed by relevant competent authorities.

Party B's prudent inspection and judgment of the business qualifications and conditions of Party A under this Agreement does not mean that Party B may represent the permit of relevant laws and regulations or relevant regulatory authorities, nor shall it assume liability therefor.

Chapter 2 Establishment, Maintenance and Change of Service Relationship

Article 6 Upon the execution of this Agreement, Party A shall submit the following materials to Party B:

- (1) Business description, including but not limited to the business information, scope of counterparties, business permission documents or relevant legal and institutional basis;
- (2) Basic Information of Collateral Management Service of the Central Pledge Business (see the Guidelines);
- (3) Information Registration Form for the principal pledgee of Collateral Management Service (see the Guidelines); and
- (4) Other materials required by Party B.

Article 7 Party B shall, in accordance with the materials provided by Party A, handle relevant procedures for Party A that are used for the Business only, set the contracting authority for the principal pledgee and the registration and authorities for at least two administrators for the business under this Agreement, and provide Party A with a CA certificate.

Article 8 The execution of this Agreement by Party A indicates that it has chosen to accept the service provided by Party B by directly connecting to the bond collateral management service system of Party B. Party A shall, in accordance with the technical requirements of Party B, build hardware and software environment accommodating the Client Terminal and supporting communication facilities. If necessary, Party B may provide assistance. Party A undertakes to comply with the CA certificate management measures formulated by Party B, ensures that the certificate information of customers will not be retained in any manner and will not deny the validity of the electronic documents with electronic signatures sent to Party B.

Article 9 The administrators of Party A shall, through the bond collateral management service system Client and in accordance with the principle of double-checking, handle registration, cancellation and authority management for operators who participate in the business under this Agreement.

The operators shall be qualified for operations concerning the business under this Agreement only after training by Party B. Party B shall provide necessary training conditions.

Article 10 Where Party A needs to change or cancel the authority of an administrator, it shall submit to Party B a written application.

Chapter 3 Content of the Collateral Management Service

Article 11 Party B shall, in accordance with the information provided by Party A, set the general parameters for the collateral management service in the bond collateral management service system, and notify Party A in writing. In case of changes in the relevant parameters, Party B shall notify Party A in writing in a timely manner.

Article 12 Party A may set relevant parameters of the Business on its own through the bond collateral management service system Client, or commission Party B to set the relevant parameters on its behalf. Should Party B be commissioned to set the parameters, Party A shall submit a written application to Party B.

Article 13 Party B shall, in accordance with the business qualifications of Party A, provide Party A with the following functions which include but not limited to contracting counterparty settings, parameter management, collateral management, sending or confirmation of relevant business instructions, and inquiry and printing of business statements.

Article 14 Before formally launching the Business, Party A shall complete the contract-signing procedures with the contracting counterparty, and the latter shall complete relevant procedures with Party B.

After the completion of the above procedures, Party A may handle the procedures for managing the qualifications of its counterparty through the bond collateral management service system Client, or commission the

same to Party B. Should Party B be commissioned to handle such procedures, Party A shall submit a written application to Party B.

Article 15 Party A may manage the collateral via the bond collateral management service system Client, including sending, confirmation and inquiry of instructions, ledger management and statement inquiry.

Article 16 During the valid term of this Agreement, when Party A handles the Business with its contracting counterparty, Party B will automatically complete the calculation, selection, pledge, automatic replenishment, automatic substitution at maturity and collateral release according to relevant business instructions and parameters preset by Party A.

Party A undertakes that it has no objection to the aforesaid business handling results and does not require Party B to alter such results, unless there is sufficient evidence indicating that Party B has made obvious errors in handling or failed to comply with the parameters preset by Party A.

Article 17 Party B shall not dispose of or deal with the pledged bonds of the contracting counterparty of Party A without authorization, except under the following circumstances:

Party B disposes of the pledged bonds in accordance with the agreement between Party A and its contracting counterparty;

Party B disposes of the pledged bonds in accordance with judicial decisions.

Chapter 4 Disclaimer

Article 18 Where Party A suffers any losses due to fault of Party B, Party B shall be liable for indemnifying Party A and the third party for their direct economic losses incurred thereby.

Article 19 In case of handling errors in the relevant business system of Party B, Party B will take active measures to correct such errors as soon as possible and assume corresponding liabilities. During this period, if any business that needs to be handled again due to the system errors is chargeable, Party A does not need to bear the cost, unless Party A uses the system failure or error to conduct an illegal or contract-violating operation.

Article 20 Where the interruption or partial interruption of the service provided by Party B is caused by failure in communication transmission, power supply, or other institution's business systems connected to Party B's relevant business system, or earthquake, fire, flood, war or other disasters, or other uncontrollable, foreseeable but unavoidable or unforeseeable accidents or causes within the reasonable range, neither Party A nor Party B shall be liable for the losses or damage incurred thereby.

Under any of the above circumstances, the party subject to such circumstance shall provide the other party with information on the circumstance and the extent of the losses. In any case, Party B shall not be liable for any indirect losses caused by Party A's use of or failure to use the services provided by Party B.

Article 21 Party B may change or continuously change its operating time, temporarily suspend the overall bond system or cease the part of its services under the circumstances where the competent departments have any special requirements or the overall interests of the market require so, and Party B shall make necessary and proper confirmation of the suspension period on the basis of the actual situation.

Chapter 5 Service Fees

Article 22 If Party A accepts the services provided by Party B, it shall pay the service fees in accordance with the fee standards and payment methods stipulated by Party B. The service fee standards and payment

methods shall be subject to the latest fee-charging rules issued by Party B on www.chinabond.com.cn.

Article 23 Party B may adjust the fee standards, chargeable items and payment methods according to the actual situation. In case of raising or structurally adjusting the fee standards, Party B shall solicit the customers and publish the facts via meeting, online meeting, online announcement or other appropriate ways in advance.

Article 24 Party A shall pay the service fees to Party B on time. Where Party A fails to pay any service fee in full for more than three months, Party B will have the right to suspend the rendering of services to Party A.

Chapter 6 Miscellaneous

Article 25 Party B shall have the right to amend this Service Agreement in due course according to the changes in relevant laws and regulations, technical development and adjustment in Party B's business conditions and business strategy, notify Party A in an agreed-upon manner and give an explanation on the amendment.

Where Party A continues to use the services provided by Party B, it shall carefully read and re-confirm the amended Service Agreement.

Party A shall be deemed as agreeing to accept the content if it does not raise any objection or request for termination of this Agreement within three months after the new Service Agreement is published or received. Any dispute associated therewith shall be settled according to the latest Service Agreement.

Article 26 Party B shall have the right to suspend or terminate the provision of services for Party A under any of the following circumstances:

Where Party A violates this Agreement and other agreements signed with Party B;

Where Party A violates the business rules and detailed implementation rules formulated by Party B; or

Where Party A violates the relevant laws, regulations and rules, and Party B implements relevant penalties decided by the competent departments.

Article 27 In case that Party A terminates the bond collateral business with its contracting counterparty and has no bond collateral accepted on its account, it shall have the right to terminate this Agreement by submitting to Party B a written notification. The termination of this Agreement will not affect the rights of either party prior to the date of termination, nor will it eliminate any legal consequence arising from the business prior to the termination.

Article 28 Party A shall not transfer this Agreement or any rights or obligations under this Agreement without prior written consent of Party B, and any attempt to make such transfer will be null and void.

Article 29 The invalidity of any provision hereof for any reason shall not affect the validity of the remaining provisions hereof.

Article 30 This Agreement shall be governed by the laws of the People's Republic of China and shall be interpreted in accordance with the laws, administrative regulations, departmental rules and the rules and detailed rules formulated by Party B pursuant to law. Any specific matter relating to this Agreement but not stipulated in the aforesaid laws, regulations and rules may refer to the business practice or industrial common practice. Both parties agree that any dispute arising from this Agreement shall be settled through consultation as far as possible; where the consultation fails, it shall be handled in accordance with the relevant laws, regulations and procedures.

Article 31 This Agreement shall enter into force on the date of seal by both parties and signature by their legal representatives (or authorized representatives).

Article 32 This Agreement is made in duplicate with each party holding one copy with the same legal force.

Party A (Official Seal)

Party B (Official Seal)

Legal Representative or Authorized
Representative (Signature):

Legal Representative or Authorized
Representative (Signature):

Date: (YYYY/MM/DD)

Date: (YYYY/MM/DD)

Annex IV

Basic Information of Collateral Management Service for the Central Pledge Business

Name of the principal pledgee			
Abbreviation of the principal pledgee			
Name of the Central Pledge Business			
Abbreviation of the Central Pledge Business			
Type of the Central Pledge Business		<input type="checkbox"/> Central financing <input type="checkbox"/> Central lending <input type="checkbox"/> Margin substitution	
Source and the confirming party of the pledge business request data (instruction)	<input type="checkbox"/> Data interface transmission via bond collateral management service system	<input type="checkbox"/> Instruction confirmation not needed	
		<input type="checkbox"/> Instruction confirmation by both parties needed	
		<input type="checkbox"/> Instruction confirmation by principal pledgee needed	
		<input type="checkbox"/> Instruction confirmation by the contracting counterparty needed	
	<input type="checkbox"/> Instruction sent through the Client	<input type="checkbox"/> Instruction sent by principal pledgee	<input type="checkbox"/> Confirmation by the contracting party needed
			<input type="checkbox"/> Confirmation by the contracting party not needed
		<input type="checkbox"/> Instruction sent by the contracting counterparty	<input type="checkbox"/> Confirmation by principal pledgee needed
			<input type="checkbox"/> Confirmation by principal pledgee not needed

Date: (YYYY/MM/DD)

(Official Seal)

Annex V

Information Registration Form for Principal Pledgees of Collateral Management Service

Name of the Principal Pledgee		
Name of Central Pledge Business		
Business Handling Department		
Address		
Contact Person		
Tel.		
Fax		
Email Address		
Reserved Business Seal		
Administrators on the Client	Name	User Name

Date: (YYYY/MM/DD)
(Official Seal)

Annex VI

Letter of Commission and Commitment of the Contracting Counterparty of Collateral Management Service for the Central Pledge Business

Commitment made by:

Address:

Bond account number with CCDC:

Definitions of the terms mentioned in this Letter shall refer to the *Guidelines for Bond Collateral Management Service of China Central Depository & Clearing Co., Ltd.*

We, as the counterparty to _____ (name of the business) (hereinafter referred to as the “Business”) of the central pledge business handed through you by _____ (name of the principal pledgee), hereby commission you to provide us with the collateral management service for the counterparty under the Business, and make the following commitments:

I. We are legally incorporated and duly existing pursuant to the laws of the place of incorporation, and we sign this Letter on behalf of ourselves instead of any third party. We have obtained the consent of relevant competent authorities of the place of incorporation and the sufficient and necessary authorization to sign this Letter and other related documents,, and perform corresponding obligations, without violating any applicable laws, regulations, articles of association and agreements. Our funds for the bond business are self-operated or managed, and do not involve any circumstance prohibited or restricted by laws or regulations.

II. When handling the Business, we accept your collateral management service, including but not limited to collateral valuation, required collateral calculation and comparison; automatic replenishment and

manual substitution; automatic substitution at maturity; inquiry of collateral management instructions and statements, and ledger management.

III. We have read the *Guidelines for Bond Collateral Management Service of China Central Depository & Clearing Co., Ltd.* and other relevant documents. When using your collateral management service of the Business, we will comply with all applicable laws and any agreements and other documents binding on us; any losses or damage arising from our failure to perform such obligations shall be borne by us.

IV. We have entered into relevant business agreements with clearly defined responsibilities, rights and interests with the principal pledgee with respect to the handling of the Business.

V. When handling the Business, we comply with our collateral business qualifications, authority of administrators and business parameters set by the principal pledgee or by you as authorized thereby.

VI. We unconditionally accept relevant business parameters (including but not limited to the scope of qualified bond collateral, pledge sequence, pledge ratio, over-collateralization ratio and critical excess collateral ratio) with respect to the Business that are managed and maintained through your system by the principal pledgee or managed and maintained by you as commissioned and authorized by the principal pledgee.

VII. We commission you to manage the collateral on our bond account in accordance with the relevant settlement instructions.

During the valid term of this Letter, when we handle the Business with the principal pledgee, we will not have any objection to the processing results of your automatic collateral selection, calculation, pledge and release in accordance with relevant settlement instructions and business parameters (including but not limited to the scope of qualified collateral, pledge sequence, pledge ratio, over-collateralization ratio and critical

excess collateral ratio) preset by the principal pledgee or by you as authorized by the principal pledgee, nor will we require you to change such results, unless there is sufficient evidence proving that you have obvious processing errors or have failed to comply with the relevant parameters preset by the principal pledgee.

VIII. We acknowledge that you may, when handling automatic replenishment based on the required collateral value calculation and comparison results, conduct automatic processing completely according to the business parameters preset by the principal pledgee or by you as commissioned by the principal pledgee, without having to obtain our consent in any form. We have no objection to the aforesaid replenishment results, and will not require any change to such results unless there is sufficient evidence indicating that you have obvious processing errors or have failed to comply with the relevant parameters preset by the principal pledgee.

IX. We acknowledge that you may conduct automatic substitution of our collateral at maturity. When handling automatic substitution at maturity, you may conduct automatic processing completely according to the business parameters preset by the principal pledgee or by you as commissioned by the principal pledgee, without having to obtain our consent in any form. We have no objection to the aforesaid substitution results, and will not require any change to such results unless there is sufficient evidence indicating that you have obvious processing errors or have failed to comply with the relevant parameters preset by the principal pledgee.

X. We acknowledge that when implementing relevant judicial decisions, you have the right to dispose of or deal with the bond collateral arising from our handling of the business under this Letter.

XI. We acknowledge that you may publish on www.chinabond.com.cn announcements on the adjustment of parameters of the business under this Letter.

XII. We acknowledge that your company has the right to revise this letter of commitment in accordance with changes in relevant laws, technical development, business conditions and strategy, and make a revision description and notify us by publishing the same on www.chinabond.com.cn. We will carefully read and re-confirm the revised letter of commitment.

XIII. We acknowledge that your company shall not assume any responsibility for the following circumstances caused by reasons beyond your company, which include but are not limited to:

(1) Losses or damage to us or a third party are incurred as your company provides us with services in accordance with this letter of commitment or implements requirements of competent Chinese authorities;

(2) We or the counterparty fail to fulfill the settlement obligation due to bond account issues or similar reasons, resulting in business processing failure;

(3) Required elements are missing in the instructions sent by us; we fail to confirm instructions; the electronic signatures attached to the instructions are not in conformity with the requirements; we fail to confirm any settlement contract with certain special requirements, resulting in delays or failures in business processing;

(4) The bonds in our bond account have been blocked or transferred by legally competent authorities, resulting in business processing failure;

(5) We fail to comply with the business rules and guidelines formulated by your company in accordance with the law, or fail to handle the business in compliance with to your company's business rules and guidelines;

(6) We or the counterparty conduct any behavior for fraud or other illegal purposes.

XIV. We acknowledge that your company may take the following measures if necessary, but shall publish such measures in a timely manner on www.chinabond.com.cn or through other valid ways:

(1) Your company may suspend the whole or part of system services or change the operating time in any circumstances beyond your company's control (including but not limited to dysfunction or communication failure or other emergencies of relevant business systems or the payment systems connected thereto caused by force majeure); your company may start the disaster recovery system if necessary. We will cooperate when your company takes the aforesaid measures;

(2) Your company may change or continuously change its operating time, temporarily suspend the whole business system, or cease the provision of some services as required by competent authorities, for the overall interests of the market, or under any other necessary circumstance. Your company needs to make necessary and appropriate determination of the suspension term on the basis of the actual situation.

XV. We will pay the collateral management service fees in full and on time based on the fee standards and methods formulated by your company.

XVI. This letter of commitment shall enter into force on the date of signature and seal by our legal representative or the authorized representative, and terminate after we stop the business. The termination of this letter of commitment shall not eliminate the legal consequences arising from the business prior to the date of termination.

XVII. This letter of commitment is made in duplicate with our party and your company each holding one copy with the same legal force.

Committed by (Official Seal) (if any)

Legal Representative or Authorized Representative (Signature)

Date: (YYYY/MM/DD)

Annex VII

Information Filing Form for the Counterparty of Collateral Management Service

Name of the Counterparty		
Name of the Central Pledge Business		
Business Handling Department		
Address		
Contact Person		
Tel.		
Fax		
Email Address		
Reserved Business Seal		
Administrator on the Client	Name	User Name

Date: (YYYY/MM/DD)
(Official Seal)

Annex VIII

Power of Attorney for Registration of the Counterparty to the Central Pledge Business

To China Central Depository & Clearing Co., Ltd.:

Whereas we have signed relevant agreements with the following institutions that become the counterparty in _____(name of the central pledge business) handled by us, we hereby entrust your company to register the counterparty in accordance with the following list.

Bond Account Name	Bond Account No.

The Power of Attorney is hereby issued.

Date: (YYYY/MM/DD)
(Official Seal)

Annex IX

Power of Attorney for Cancellation of the Counterparty to the Central Pledge Business

To China Central Depository & Clearing Co., Ltd.:

We have terminated the business relationship of _____(name of the central
pledge business) with _____(institution name) (bond account No.:). Please remove
it from our counterparty list.

The Power of Attorney is hereby issued.

Date: (YYYY/MM/DD)
(Official Seal)

Annex X

Letter of Authorization for Parameter Maintenance in the Central Pledge Business

Name of the principal pledgee:

Name of the Central Pledge Business:

Scope of Bond Type and Pledge Ratio

Bond Type	Pledge Ratio	Excluding

Scope of Term to Maturity and Pledge Ratio

Term to Maturity	Pledge Ratio

Scope of Credit Rating and Pledge Ratio

Rating Agency	Credit Rating Code	Pledge Ratio

Calculation Basis of the Collateral Value: ☐ Face Value ☐ Issue Price ☐ Principal Value ☐ Valuation

Over-collateralization Ratio: %

Critical Excess Collateral Ratio: %

Pledge Sequence:

For Bond Type: ☐ Ordinary ☐ Reverse

For Term to Maturity : ☐ Ordinary ☐ Reverse

For Credit Rating: ☐ Ordinary ☐ Reverse

Dedicated Parameters for Central Pledged Financing

Maximum Financing Amount of the Whole Business	
Classified Term and Interest Rate	
Overnight Penalty Interest Rate	
Interest-Free Rate	

Effective Date of the Above Parameters:

Official Seal

Date: (YYYY/MM/DD)

Annex XI

Emergency Instruction for Risk Exposure Adjustment

Date of Adjustment: (YYYY/MM/DD)

Account Name	Bond Account No.	Original Amount	Replenishment/ Return	Adjustment Amount

Date: (YYYY/MM/DD)
(Official Seal)

Annex XII

Emergency Instruction for Collateral Substitution

Business Voucher No.: D08

To China Central Depository & Clearing Co., Ltd.,

Due to temporary failure of our connected bond book-keeping system terminal, the collateral substitution settlement instruction is hereby sent by fax as we cannot handle the business as usual. We guarantee that the content of the instruction is authentic, accurate, complete and valid.

Authentication code: _____ (16 digits)

Date of Sending: _____ (YYYY/MM/DD) [Element 1]

Name of the Code Generator: _____ Bond Account No.: _____

Name of the Pledger: _____ Bond Account No.: _____

Name of the Pledgee: _____ **Bond Account No.:** _____ [Element 2]

Initial Contract No.:

Date of Substitution: _____ (YYYY/MM/DD) [Element 3]

New Bond Code 1: _____ [Element 4] Face Value: _____ (in RMB 10,000)

New Bond Code 2: _____ Face Value: _____ (in RMB 10,000)

Substituted Bond Code 1: _____ **Face Value:** _____ (in RMB 10,000) [Element 5]

Substituted Bond Code 2: _____ Face Value: _____ (in RMB 10,000)

Signature or Seal of the Handling Person:

Signature or Seal of the Reviewer:

Tel: _____

Tel: _____

Official Seal

Notes:

1. The official seal of the institution shall be consistent with the name of the code generator. The emergency voucher shall be legible without alteration.
2. This emergency voucher has a total of five elements for authentication code generation. Element 1 has been displayed by default in the authenticator. In event of any inconsistency with the emergency voucher, please manually correct the Element 1 into the authenticator. Elements 2 to 5 shall be entered into the authenticator in order based on the information provided in the emergency voucher, and the information must be exactly the same as the that filled in the emergency voucher.
3. This service is handled by the Customer Service Department of CCDC. Fax: 010-88170752.

Annex XIII

Emergency Instruction for Collateral Substitution of the Central Pledge Business

Bond Account Name:

Bond Account No.:

Substituted Bond Code	Bond Abbreviation	Substituted Face Value

Official Seal (or Reserved Seal)

Date: (YYYY/MM/DD)