

Haiwen Finance and Asset Management Monthly (June 2025)

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Introduction

To make the finance and asset management industry keep abreast of the latest industry developments, Haiwen prepares the “Haiwen Finance and Asset Management Monthly”. This monthly reading aims to introduce and provide brief comments on regulatory development and industry news.

In June 2025, regarding regulatory updates, the China Securities Regulatory Commission (“**CSRC**”) issued the *Administrative Provisions on Program Trading in the Futures Market (for Trial Implementation)*; the National Financial Regulatory Administration (“**NFRA**”) issued the *Administrative Measures for Market Risks of Commercial Banks and the Interim Provisions on the Administration of the List of Seriously Dishonest Entities (Draft for Comments)*.

Regarding industry developments, CSRC promulgated an announcement permitting Qualified Foreign Institutional Investors (QFIs) to engage in Exchange-Traded Fund (ETF) options trading. Concurrently, CSRC intensified the rigorous investigation and sanctioning of financial fraud cases, imposing synchronous liability on parties complicit in fraudulent activities for the first time.

I Latest Rules and Regulations Latest

1. CSRC issued the Administrative Provisions on Program Trading in the Futures Market (for Trial Implementation)

On June 13, 2025, CSRC issued the *Administrative Provisions on Program Trading in the Futures Market (for Trial Implementation)* (the “**Administrative Provisions**”) to implement the *Futures and Derivatives Law*, align with the policy directives articulated in the *State Council’s Guiding Opinions on Strengthening Regulation and Preventing Risks to Promote High-quality Development of the Futures Market*, strengthen the entire-process supervision system for program trading activities within the futures market and construct a comprehensive regulatory framework. These *Administrative Provisions* shall come into force on October 9, 2025. The key provisions include:

(1) Definition and Scope: The *Administrative Provisions* establishes precise definitions for program trading and high-frequency trading, delineating their explicitly defined application boundaries. It further prohibits in explicit terms any utilization of such trading activities to disrupt the operational integrity of exchange systems or undermine the orderly functioning of the market.

- (2) Information Reporting and Verification Mechanism: The *Administrative Provisions* establishes a pre-trade reporting system for program trading, mandating that market entities may engage in such activities only after completing registration and filing procedures and undergoing compliance review. Concurrently, it affirmatively imposes ongoing monitoring obligations on futures business operators and exchanges.
- (3) Technical System Access Management: The *Administrative Provisions* mandates compliance by market entities' technical systems with specified technical standards and successful passage of requisite stress testing. It additionally prohibits explicitly any access practices that may undermine the orderly functioning of the market.
- (4) Colocation Services and Trading Seat Management: The *Administrative Provisions* establishes a reporting mechanism for colocation services and a management system for trading seats, emphasizing that both futures exchanges and futures business operators shall strictly adhere to the principle of fairness in allocating technical resources.
- (5) Risk Monitoring and Emergency Response: The *Administrative Provisions* delineates the respective obligations of relevant parties, imposing dual requirements on futures business operators and investors to enhance risk management protocols and contingency response capabilities. It further mandates exchanges to reinforce surveillance systems for anomalous trading activities and diligently ensures the stability and resilience of trading systems.
- (6) Multi-tiered Regulatory Framework: CSRC and its regional offices shall execute administrative oversight functions, while futures exchanges and industry associations shall exercise self-regulatory governance pursuant to their respective business rules.
- (7) Differential Application to Relevant Entities: The *Administrative Provisions* specifies differentiated compliance obligations and defines applicable regulatory parameters for distinct categories of market participants.

Haiwen Comment

The promulgation of the *Administrative Provisions* is grounded in existing regulatory practice and marks a critical step forward in advancing the regulatory framework for China's futures market toward legalization and specialization, thereby facilitating the regulation of market trading order and the establishment of a fair and well-functioning market environment.

2. NFRA issued the *Measures for the Administrative Measures for Market Risks of Commercial Banks*

On June 20, 2025, NFRA promulgated the *Administrative Measures for Market Risks of Commercial Banks* (the "*Measures for Market Risks*"), implementing a comprehensive revision of the *Guidelines for Commercial Banks on Market Risk Management*. It aims to enhance market risk resilience and supervisory control within commercial banks. The key provisions include:

- (1) Definitional Clarification of Market Risk: The *Measures for Market Risks* recalibrates the scope of application through the exclusion of non-core provisions including banking book interest rate risk, and effectuates regulatory harmonization with prevailing frameworks such as the *Administrative Measures for the Capital of Commercial Banks* and the *Guidelines on Comprehensive Risk Management by Financial Institutions in the Banking Industry*.
- (2) Enhancement of Market Risk Governance Framework: The *Measures for Market Risks* prescribes distinct responsibility allocations for boards of directors, boards of supervisors, and senior management, delineating the functional boundaries of the "three lines of defense" mechanism and requiring commercial banks to fortify market risk control mechanisms at the consolidated group level.
- (3) Articulation of Market Risk Management Requirements: The *Measures for Market Risks* mandates entire-process management of market risk by commercial banks, establishing specific operational standards for risk identification, measurement, monitoring, control, and reporting; refines definitional criteria for internal models; and enhances provisions on model governance and stress testing to ensure alignment with prevailing market risk measurement methodologies and industry practices.

Haiwen Comment

The *Measures for Market Risks* implements the national strategic decisions on deepening financial reform, is grounded in the practical realities of domestic financial market development, and is conducive to promoting commercial banks' market risk governance capabilities, thereby enhancing the modern financial regulatory framework.

3. NFRA issued the *Interim Provisions on the Administration of the List of Seriously Dishonest Entities (Draft for Comments)*

On June 6, 2025, NFRA issued the *Interim Provisions on the Administration of the List of Seriously Dishonest Entities (Draft for Comment)* (the "**Interim Provisions**") for public consultation, aiming to enhance the social credit system and reinforce supervisory frameworks. The key provisions include:

(1) Criteria for Inclusion in the List of Seriously Dishonest Entities: Financial institutions and their practitioners subject to administrative penalties or regulatory enforcement actions imposed by the NFRA or its regional offices, where such conduct demonstrates an egregious nature and severe circumstances resulting in material disruption to market equity or social order, shall be included in the List of Seriously Dishonest Entities.

(2) Specification of Administrative Measures for Seriously Dishonest Entities: Pursuant to applicable laws, regulations, and central policies, the *Interim Provisions* authorizes the NFRA and its regional offices to implement targeted administrative measures against listed entities.

(3) Standardization of List Administration Procedures: The *Interim Provisions* delineate procedures for inclusion in and removal from the List of Seriously Dishonest Entities, mandating the automatic removal of listed entities after three years with concomitant cessation of applicable restrictions. Concurrently, the *Interim Provisions* also institutes procedural safeguards, including pre-inclusion notification and formal hearing procedures, to ensure substantive protection of affected entities' right to be informed and right to contest.

(4) Establishment of a Credit Remediation Mechanism: To incentivize Seriously Dishonest Entities to proactively rectify non-compliant conduct and mitigate adverse consequences, the *Interim Provisions* permits entities listed for at least one year to petition for early removal, delineating specific eligibility criteria and audit timelines governing such remediation proceedings.

Haiwen Comment

The *Interim Provisions* prescribes standardized governance protocols for the List of Seriously Dishonest Entities, operationalizing credit-based regulatory tools to curb and deter non-compliant conduct within the financial sector, thereby preserving the well-functioning order of financial markets.

II Industry News

1. CSRC promulgated an announcement permitting Qualified Foreign Institutional Investors (QFIIs) to engage in Exchange-Traded Fund (ETF) options trading

On June 17, 2025, CSRC issued an announcement, upon mutual consultation with the People's Bank of China (PBOC) and the State Administration of Foreign Exchange, permitting Qualified Foreign Institutional Investors ("**QFIIs**") to participate in Exchange Traded Fund ("**ETF**") options markets effective October 9, 2025. Such trading activities shall be explicitly restricted to hedging purposes.

Since 2025, CSRC has progressively introduced multiple reform measures, systematically lifting restrictions on QFIIs participation in domestic commodity futures, commodity options, and ETF options markets. The core objectives of this regulatory adjustments include continuously expanding QFIIs-eligible investment scope, optimizing the regime's structural appeal and comparative advantages and providing enhanced risk

mitigation instruments for foreign institutional investors, particularly long-term allocative capital. Such measures shall effectively stabilize investment behavioral patterns among foreign entities while further catalyzing long-term value-oriented positions in A-share markets.

2. CSRC intensified the rigorous investigation and sanctioning of financial fraud cases, imposing synchronous liability on parties complicit in fraudulent activities for the first time

On June 27, 2025, CSRC issued an administrative penalty notice against delisted Nanjing Yuebo Power System Co., Ltd. (“**Yuebo**”) for suspected disclosure violations. The investigation established that between 2018 and 2022, Yuebo artificially inflated revenue and profits through fictitious transactions and fraudulent asset sales, resulting in materially misstated annual reports. The CSRC proposes to: (i) issue warnings to Yuebo and relevant accountable individuals; (ii) impose aggregate fines of RMB 30.8 million; and (iii) enforce 8-10-year securities market bans against two primary responsible persons. During the entire course of the financial fraud scheme, Yu and He facilitated the execution of fictitious transactions by Yuebo through multiple companies under their control or affiliation, thereby engaging in joint illegal conduct with Yuebo. Pursuant to relevant regulations, the CSRC has imposed administrative penalties of RMB 2 million on Yu and RMB 300,000 on He.

In response to the emerging trend of collusive financial fraud between listed companies and third parties, CSRC jointly formulated the *Opinions on Further Carrying out the Comprehensive Punishment and Prevention of Financial Frauds in the Capital Market Properly* with multiple agencies in June 2024. This framework establishes an integrated sanction-prevention system, comprehensively enhancing liability for complicit actors. The direct penalties imposed on accomplices in this case demonstrate the CSRC’s resolve to implement central directives and purify market integrity, manifesting regulators’ unwavering commitment to safeguarding the stable and healthy development of capital markets.

The source of Information:

- <http://www.csrc.gov.cn/csrc/c101954/c7564346/content.shtml>
- <https://www.nfra.gov.cn/cn/view/pages/governmentDetail.html?docId=1214382&itemId=861&generaltype=1>
- <https://www.nfra.gov.cn/cn/view/pages/ItemDetail.html?docId=1212652&itemId=951&generaltype=2>
- <http://www.csrc.gov.cn/csrc/c101954/c7565194/content.shtml>
- <http://www.csrc.gov.cn/csrc/c100028/c7567398/content.shtml>

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