



Futures Exchanges Released the Administrative Measures for Program Trading

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To implement the regulatory requirements set forth in the *Administrative Provisions for Program Trading in the Futures Market (Trial)* (“**Administrative Provisions**”) issued by the China Securities Regulatory Commission (“**CSRC**”), the China Financial Futures Exchange, Guangzhou Futures Exchange, Shanghai Futures Exchange, Zhengzhou Commodity Exchange and Dalian Commodity Exchange (collectively, “**Futures Exchanges**” or “**Exchanges**”) each released the *Administrative Measures for Program Trading* (“**Administrative Measures**”) and the *Notice on Matters Related to Program Trading* (“**Notice**”) on 8 August 2025. The Administrative Measures will come into effect concurrently with the Administrative Provisions on 9 October 2025.

The Administrative Measures provide detailed requirements regarding program trading reporting, direct market access, colocation and seat allocation, trading monitoring and risk management, as well as supervision and regulation, to ensure the effective implementation of the Administrative Provisions.

The Shanghai International Energy Exchange also released the *Administrative Rules for Program Trading* on 8 August 2025, which establish regulatory standards and requirements consistent with those set out in the Administrative Measures and will come into effect on 9 October 2025 as well.

This article summarizes the key aspects of the Administrative Measures, serving as a reference for traders and relevant institutions engaged in futures program trading.

I. Scope of Application and Transition Period

1. Scope of Traders Subject to Program Trading Reporting Obligation

According to the Notices, traders are required to fulfill the reporting obligation if their trading activities on the Exchanges meet one or more of the following conditions:

- (1) Placing and canceling ten or more orders within one second on ten or more occasions on any particular trading day; for a group of accounts under actual control relationship, the number of order placements and cancellations shall be counted on a single-client basis;
- (2) The critical elements of a trading order including contract code, buy/sell direction, order size, and order price as well as the order placement timing are determined automatically by a computer program;
- (3) Using self-developed or customized program trading software;
- (4) Other circumstances deemed reportable by the Exchanges.

The Notices codify a “double 10” quantitative threshold for futures program trading, aligning with the quantitative standard of “fast placement/cancelation frequency” for program trading in the stock market.

2. Transition Period

Mirroring the Administrative Provisions, the Administrative Measures provide a six-month transition period. During this timeframe, program traders must complete, among other matters, execution of program trading service agreements and required reporting of program trading. Specifically, pursuant to the Notices, for futures companies that are members of the Futures Exchanges (“**futures companies**”), overseas special brokerage participants (“**OSBPs**”), overseas intermediaries and traders that have already engaged in program trading prior to 9 October 2025:

- (1) By 8 April 2026, futures companies must sign program trading service agreements with their clients, setting out mutual rights and obligations, and clarifying requirements for reporting management, risk control, etc. This requirement applies *mutatis mutandis* to OSBPs and overseas intermediaries that accept program trading orders from clients.

Pursuant to the Administrative Provisions, the essential terms of the program trading

service agreement will be formulated by the China Futures Association. On 27 June 2025, the China Futures Association issued the *Program Trading Service Agreement (Essential Terms) (Consultation Paper)* for public consultation. Given that relevant parties are required to complete the execution of program trading service agreement during the transition period following the effective date of the Administrative Provisions and the Administrative Measures take effect, the final version of the essential terms is expected to be released soon.

- (2) Traders must report program trading information in a truthful, accurate and complete manner through the designated route. From 9 April 2026 onwards, traders that fail to conduct program trading reporting through the designated route will not be allowed to engage in program trading.

For further details regarding the information to be reported and reporting route for futures program trading, please refer to Part III of this article.

- (3) For high-frequency traders and clients frequently involved in erroneous orders or other abnormal trading behaviors, the Exchanges may require the relevant futures companies and OSBPs to test the IT systems they use for program trading. These tests may be performed by the futures companies and OSBPs themselves or by an authorized third-party testing agency.

II. High-Frequency Trading

The Administrative Measures define high-frequency trading (“HFT”) consistently with the Administrative Provisions, referring to program trading that exhibits one or more of the following characteristics: (1) a significant number and rapid frequency of order placements and cancellations within a short period; (2) a significant number of order placements and cancellations within a trading day; (3) other characteristics recognized by the CSRC. However, the Administrative Measures still do not specify detailed quantitative thresholds for HFT. According to the Administrative Measures and the Notices, detailed HFT standards will be formulated separately by the Exchanges, and the reporting requirements for high-frequency traders will be further notified by the Exchanges. In past practice, the consensus in the futures market

regarding the quantitative criteria for HFT is “double 20”, i.e., “twenty or more order placements within one second occurring on at least twenty occasions within the same trading day”. The subsequent HFT standards to be separately formulated by the Futures Exchanges should continue to be closely monitored.

The Administrative Measures uphold the requirements set forth in the Administrative Provisions, stipulating that the Futures Exchanges will implement enhanced oversight of HFT, including but not limited to:

1. Non-futures-company members of the Exchanges and overseas special non-brokerage participants are only permitted to conduct program trading but are not allowed to engage in HFT.
2. Information reporting: In addition to the information that should be reported by general program traders, high-frequency traders are required to report additional information, as described in Part III of this article.
3. Enhanced monitoring of HFT information: The Futures Exchanges will conduct strengthened verification of the information reported by high-frequency traders, such as the type of trading strategy, maximum frequency of order placements and cancellations, highest daily count of order placements and cancellations.
4. Fee management: The Futures Exchanges implement policies governing order placement and cancellation fees as well as trading limits, with the flexibility to adjust the fee structures and trading limits as appropriate. In addition, the Futures Exchanges may implement differentiated fee frameworks for HFT activities. To our knowledge, the Futures Exchanges typically adopt tiered fee rates and standards based on indicators such as MA and OTR. However, it remains to be seen whether the current fee arrangements will be adjusted by the Futures Exchanges following the implementation of the Administrative Provisions and the Administrative Measures.

Additionally, the Administrative Measures clarify that market makers conducting market-making activities by way of program trading are not subject to the provisions relating to HFT in the Administrative Measures.

III. Program Trading Reporting

1. Information to Be Reported

(1) General Reporting Requirements

The Administrative Measures further specify the “report first, trade later” requirement. Before conducting program trading, program traders must report the following information in a truthful, accurate and complete manner:

- (a) Basic account information, including trader’s name, trading code, product manager, and the appointed futures company, OSBP or overseas intermediary, etc.;
- (b) Trading and software details, including the method of order execution and the name, basic functions and developer of the trading software, etc.;
- (c) Other information required by the Exchanges.

(2) Additional Reporting Requirements for HFT

In addition to the information listed under “General Reporting Requirements” above, high-frequency traders are required to report additional information, such as the type and key aspects of trading strategies, maximum frequency of order placements and cancellations, highest daily count of order placements and cancellations, server locations, technical system testing reports, contingency plans, and risk control measures.

From the perspective of the Futures Exchanges’ rules, only high-frequency traders are required to submit technical system testing reports, contingency plans, and risk control measures to the Exchanges. Program traders that do not engage in HFT are not subject to such reporting requirement. To our knowledge, in practice, the Futures Exchanges currently do not require non-high-frequency traders to submit such information either.

Nevertheless, given the inherent characteristics of program trading, we believe that, as a prudent measure, program traders that are not involved in HFT should still prepare contingency plans and risk control measures, and maintain technical system testing reports on file for potential inspection.

In particular, for domestic private fund managers engaging in program trading, the *Guidelines for Operation of Private Securities Investment Funds* require that the technical systems employed for program trading by private fund managers must possess the basic functions mandated by securities and futures trading venues, undergo proper testing as required, and ensure continuous and stable operation. Furthermore, private fund managers must establish and effectively implement business processes for research, testing, validation, compliance review, and implementation of program trading strategies. Emergency management policies and contingency plans also constitute essential components of internal controls for private fund managers. For those engaging in program trading, it is necessary to explicitly specify the management requirements and emergency handling mechanisms for program trading within risk control and emergency management procedures that safeguard IT system and data security.

(3) Material Changes to Reported Information

According to the Administrative Provisions, any material changes to the information reported by program traders must also be reported in a timely manner. However, the Administrative Provisions do not specify what constitutes a material change and the timeline for reporting such changes. The Administrative Measures provide clarification, stating that the following circumstances are considered material changes to information reported by program traders, and must be reported within 30 trading days of their occurrence:

- (a) Change in the trader's name or product manager;
- (b) Change in the method of order execution, or changes to the name, basic functions and developer of the trading software;

- (c) For high-frequency traders, change in the type of trading strategies, maximum frequency of order placements and cancellations, highest daily count of order placements and cancellations;
- (d) Cessation of program trading;
- (e) Other material changes as determined by the Exchanges.

2. Reporting Route and Timeline

(1) Program Trading Clients

Before engaging in program trading, clients shall report relevant information to the futures companies, OSBPs or overseas intermediaries appointed by them.

Futures companies, OSBPs and overseas intermediaries shall, in accordance with relevant requirements set forth in the *Notice on the Launch of China Futures Market Monitoring Center's Program Trading Reporting System*, report clients' program trading information to the Exchanges through China Futures Market Monitoring Center's program trading reporting system.

Futures companies, OSBPs and overseas intermediaries shall verify the information reported by their clients. If the information is accurate and complete, futures companies and OSBPs shall report to the Exchanges within five trading days, and overseas intermediaries shall report to the Exchanges through futures companies and OSBPs within five trading days. The Exchanges shall provide feedback within 5 trading days after receiving the report. Futures companies, OSBPs and overseas intermediaries shall confirm to clients after receiving the feedback from the Exchanges. Clients may engage in program trading after receiving the confirmation.

(2) Non-Futures-Company Members of the Exchanges and Overseas Special Non-Brokerage Participants

Before engaging in program trading, non-futures-company members of the Exchanges and overseas special non-brokerage participants shall report relevant information to the Exchanges through the Exchanges' member service system. The Exchanges shall provide feedback within 5 trading days. Non-futures-company members of the Exchanges and overseas special non-brokerage participants may engage in program trading after receiving the confirmation from the Exchanges.

According to the Notices, the reporting requirements for high-frequency traders will be separately notified by the Exchanges.

IV. Direct Market Access

Under the current practice, traders are permitted to use direct market access ("**DMA**") to carry out program trading. The Administrative Provisions and the Administrative Measures codify this arrangement while stipulating relevant risk management requirements.

1. Technical System Functions and Testing

The Administrative Provisions generally require that the technical systems used by traders shall conform to the requirements of the Futures Exchanges and be equipped with effective functions for abnormality monitoring, threshold management, error prevention, and emergency response; the trading systems used by futures companies shall comply with the requirements of the CSRC and the Futures Exchanges, and have effective functions for authentication management, capital and position verification, access control, abnormality monitoring, threshold management, error handling, and emergency response. The specific standards in this regard are clarified by the Administrative Measures, to which traders and relevant institutions engaged in futures program trading should pay attention. The details are not introduced in this article.

Before connecting to a futures company or OSBP, the technical system used by a client or overseas intermediary must undergo testing, which may be conducted either by the futures company or OSBP itself, or by a third-party institution designated by the futures company or OSBP. Prior to offering brokerage services for program trading, futures companies and OSBPs are required to establish a simulation testing environment that is separate from the production environment and to conduct thorough testing of their own trading information systems. Futures companies and OSBPs must retain the relevant test records as described above for a minimum of twenty years.

2. System Segregation and Prohibited Acts

Futures companies and OSBPs are prohibited from developing their trading systems and the technical systems of clients and overseas intermediaries on the same physical device. Trading system management permissions must not be granted to clients, overseas intermediaries and IT system service providers. The technical systems of clients and overseas intermediaries shall not be directly connected to the trading systems of the Exchanges.

Program traders shall not use the systems to illegally operate futures business, shall not solicit traders or process third-party trading instructions. They shall not transfer or lend their own technical systems or grant external access to third parties.

V. Colocation and Seat Allocation

In accordance with the requirements set forth in the Administrative Provisions, the Futures Exchanges clarify in the Administrative Measures that they implement policies for the reporting of colocation information and management of trading seats. Colocation services and trading seats are provided and allocated in line with principles of security, fairness, and reasonableness. Meanwhile, the Administrative Measures explicitly require the reporting of colocation information, with the specific reporting contents and methods to be separately issued by the Exchanges.

The Exchanges conduct semi-annual reviews of the utilization of colocation resources and trading seats. Should (1) futures companies, OSBPs and overseas intermediaries fail to establish colocation resources management policy or trading seats management policy, or fail to use colocation resources or trading seats in accordance with relevant provisions, or (2) program traders fail to use colocation resources or trading seats in accordance with relevant provisions, the Exchanges may take corresponding self-disciplinary measures.

Additionally, consistent with the Administrative Provisions, the Administrative Measures stipulate that futures companies must not provide colocation services to program trading clients who frequently engage in abnormal trading activities, experience significant technical failures in their technical systems, or violate relevant rules of the Exchanges. The specific criteria for determining such cases will be published separately by the Exchanges in due course.

VI. Trading Monitoring and Risk Management

1. Abnormality Monitoring by Futures Exchanges

The Administrative Provisions and the Administrative Measures specify qualitative definitions of abnormal futures program trading behaviors, including: (1) the number and frequency of order placements and cancellations within a short period reach a certain threshold, or the number of order placements and cancellations within a trading day reaches a certain threshold; (2) the number of order placements and cancellations within a short period and the ratio of order placements and cancellations to actual trades reach a certain threshold, or the number of order placements and cancellations within a trading day and the ratio of order placements and cancellations to actual trades reach a certain threshold; (3) large-volume, consecutive or concentrated order placements within a short period, with actual trades reaching a certain threshold, and significant anomalies appearing in the futures trading prices or trading volumes; (4) other circumstances identified by the Exchanges that warrant close supervision and monitoring.

The existing rules on abnormal trading behaviors issued by the Futures Exchanges have already specified the types of abnormal trading and the corresponding quantitative standards. Going forward, it will be important to closely monitor whether the Futures

Exchanges introduce new standards for identifying abnormal trading behaviors specific to program trading.

2. Compliance Management Requirements for Program Traders

- (1) Pursuant to the Administrative Provisions and the Administrative Measures, entities participating in program trading shall establish and effectively implement internal control, risk management, and compliance management policies for program trading.
- (2) While the Administrative Measures do not reiterate the requirements on internal accountable persons within program traders, it should be noted that, according to the Administrative Provisions, the persons responsible for compliance and risk management within entities participating in program trading shall supervise and inspect the legality and compliance of the program trading-related activities, and the effectiveness of risk management. They must not hold positions that conflict with such responsibilities.

For domestic private fund managers, appointing a compliance and risk control officer is a mandatory regulatory requirement. Furthermore, the *Guidelines for Operation of Private Securities Investment Funds* mandate that private fund managers that conduct program trading must establish specialized business management, compliance, and risk control policies for program trading, and improve the review and monitoring systems for program trading instructions to prevent and control business risks, which is in line with the above requirements.

For other types of program traders in the futures market, relevant policies should likewise be established and enhanced in line with these requirements, and the compliance and risk control personnel shall diligently fulfill their duties.

3. Compliance Management Requirements for Futures Companies, OSBPs, Overseas Intermediaries and Impact on Futures Traders

- (1) Futures companies, OSBPs and overseas intermediaries who accept program trading orders from clients are required, in accordance with relevant provisions, to sign

program trading service agreements with their clients, setting out mutual rights and obligations and clarifying requirements for reporting, risk management, etc.

Program traders must negotiate with the appointed futures companies, OSBPs and overseas intermediaries in accordance with the essential terms formulated by the China Futures Association. Given the limited space for negotiation over the essential terms, program traders may need to adjust their business processes accordingly to meet relevant requirements.

- (2) Futures companies, OSBPs and overseas intermediaries are required to establish and effectively implement internal control, risk management, and compliance management policies for program trading.

In this respect, futures companies, OSBPs and overseas intermediaries may strengthen their client management. To meet their internal compliance and risk control standards, program traders may be required to coordinate by disclosing or providing more detailed information.

- (3) Futures companies, OSBPs and overseas intermediaries must verify the information reported by program trading clients on a semi-annual basis or as required by the Exchanges. If any failure to report as required is identified, they must urge clients to rectify the situation promptly. They are also mandated to enhance monitoring of clients' program trading activities, review program trading order instructions, identify and manage abnormal trading behaviors in a timely manner, and cooperate with the Exchanges in taking relevant action.

As a result, the trading activities of program traders will be subject to more comprehensive monitoring, and futures companies, OSBPs and overseas intermediaries may conduct additional reviews and enhanced examinations of program trading instructions. Program traders must ensure that their trading activities are fully compliant with all relevant rules of the Futures Exchanges. If their trading behavior is identified as abnormal, they may be required to take immediate corrective action or be temporarily suspended from trading.

4. Emergency Response

According to the Administrative Provisions and the Administrative Measures, in the event of sudden incidents during program trading such as force majeure, accidents, major technical failures, and significant human errors, which may trigger significant abnormal fluctuations in futures prices or the market, the relevant parties must adhere to the following requirements:

- (1) Program traders: They shall immediately take measures such as suspending trading and canceling orders. Clients shall report to the futures companies, OSBPs and overseas intermediaries appointed by them in a timely manner; non-futures-company members of the Exchanges and overseas special non-brokerage participants shall report to the Exchanges in a timely manner.
- (2) Futures companies, OSBPs, overseas intermediaries: If they identify that their clients are in the aforementioned situation, they shall, in accordance with the program trading service agreement, immediately take measures such as suspending the acceptance of orders and canceling relevant orders, and report to the Exchanges in a timely manner. OSBPs and overseas intermediaries may report to the Exchanges by futures companies or by themselves.

If any client of a futures company is in the aforementioned situation, the futures company shall also report to the local branch of the CSRC in the place where it is domiciled.

- (3) Futures Exchanges: If the aforementioned situation occurs and affects the system security and normal trading order of the Exchanges, the Exchanges may take measures such as suspending trading, adjusting the opening and closing times, and canceling trading, and promptly report to the CSRC.

VII. Inspection Rights and Self-Disciplinary Measures of Futures Exchanges

The Exchanges may, as required for self-disciplinary management, conduct on-site or off-site inspections regarding the compliance of futures companies, OSBPs, overseas intermediaries and

program traders with the Administrative Measures. Relevant institutions and individuals are required to cooperate.

For program traders who violate relevant provisions, the Exchanges will order rectification and may take measures such as issuing reminders and notifications, requiring reports on the situation, holding meetings and talks, or restricting new positions. For futures companies, OSBPs and overseas intermediaries that violate relevant provisions, the Exchanges will order rectification and may take measures including issuing reminders and notifications, holding meetings and talks, sending warning letters, or issuing opinion letters. In serious cases, the Exchanges will handle the matter in accordance their relevant rules on dealing with regulatory breaches.

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