



CSRC Released the Provisions on Futures Program Trading

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On 13 June 2025, the China Securities Regulatory Commission (“**CSRC**”) released the *Provisions on the Administration of Program Trading in the Futures Market (Trial)* (《期货市场程序化交易管理规定(试行)》) (“**Futures Program Trading Provisions**”), which will take effect on 9 October 2025. The Futures Program Trading Provisions are designed to implement the regulatory principles for futures program trading established in the *Futures and Derivatives Law of the People’s Republic of China* (《中华人民共和国期货和衍生品法》), while codifying the regulatory practices accumulated over recent years into formal legislation.

The Futures Program Trading Provisions are structured into 7 chapters and 37 provisions, addressing a comprehensive range of topics, including the definition of program trading and scope of application, reporting requirements, direct market access, colocation and seat allocation, trading monitoring and risk management, and supervisory mechanisms.

The following are key highlights of the Futures Program Trading Provisions:

I. Scope of Application and Transition Period

Program trading is defined in the Futures Program Trading Provisions as the act of trading futures on the futures exchanges through trading orders that are automatically generated or placed by a computer program. The Futures Program Trading Provisions, although define the “program trading”, do not give quantitative criteria to scope the “program trading”. Based on the guidance previously conveyed from the futures exchanges to the futures brokers in practice, traders who trigger the threshold of “five or more order placements within one second occurring on at least five occasions within the same trading day” are typically required by the futures exchanges to conduct program trading reporting.

It is clarified that the Futures Program Trading Provisions apply to all program trading activities in the futures market within the territory of the People’s Republic of China, regardless of whether such activities are conducted through the futures brokers or directly by non-member participants (e.g., overseas institutions that meet the prescribed conditions of the CSRC and the futures exchanges, and are approved to trade directly on the futures exchanges). The program trading activities on the Shanghai International Energy Exchange are also subject to these provisions. However, options traded on the stock exchanges (e.g., ETF options traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange) are excluded from the scope of application. Additionally, for market makers conducting market-making activities by way of program trading, the futures exchanges will issue separate provisions on the basis of the principles established in the Futures Program Trading Provisions.

The Futures Program Trading Provisions grant a six-month transition period for traders who have already conducted futures program trading activities prior to the formal implementation of these provisions. Specifically, these traders are required to comply with the reporting obligations set forth in Articles 7 to 12 of the Futures Program Trading Provisions no later than 9 April 2026.

II. High-Frequency Trading

High-frequency trading (“**HFT**”) is defined as 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.

Currently, the consensus in the futures market regarding the quantitative criteria for HFT is “twenty or more order placements within one second occurring on at least twenty occasions within the same trading day” in practice, although they have not been formally incorporated in written rules of the futures exchanges. The Futures Program Trading Provisions stipulate that the specific criteria for identifying HFT will be formulated by the futures exchanges. It remains to be seen whether the futures exchanges will release more detailed rules in this regard.

HFT participants are subject to more and stricter requirements under the Futures Program Trading Provisions. For instance, additional disclosures are required for program trading reporting (as described below), and the futures exchanges will implement enhanced verification and monitoring of their behaviors. It is also worth noting that non-member participants are only permitted to conduct program trading but are not allowed to engage in HFT.

Moreover, the Futures Program Trading Provisions specify that the futures exchanges may adopt a differentiated transaction fee structure tailored for HFT. Based on our observation, the futures exchanges have already adopted tiered fee rates and standards based on indicators such as MA and OTR. However, it remains to be seen whether the futures exchanges will take further actions in this regard after the implementation of the Futures Program Trading Provisions.

III. Reporting Obligations

1. Required Information

In practice, the market has had varying interpretations of the reporting timeline for futures program trading due to the absence of explicit written rules. The Future Program Trading

Provisions now clearly stipulate the “report first, trade later” requirement. Before engaging in any futures program trading, traders (including both domestic traders and overseas traders) must ensure that the relevant information concerning their program trading activities has been properly reported to and acknowledged by the futures exchanges.

The information to be reported includes: (1) basic account information, such as the trader’s name, trading code, appointed futures broker, product manager, etc.; (2) trading and software details, including the method of executing trading orders, the name, basic functions and developer of the trading software, etc.; and (3) any other information required by the futures exchanges. HFT participants are required to report additional information, such as the type and key aspects of trading strategies, the maximum frequency of order cancellations, the highest daily count of order cancellations, server locations, technical system testing reports, contingency plans, and risk control measures.

Any material changes to the above-mentioned information must also be reported in a timely manner.

2. Reporting Route

For traders engaging in futures transactions through futures brokers that are members of the relevant futures exchanges, the reporting needs to be completed via the futures brokers. The futures brokers will verify the relevant information and then report it to the futures exchanges. They will also convey the feedback from the futures exchanges to the traders. In contrast, non-member participants should report the relevant information directly to the relevant futures exchanges on their own.

The reporting process should involve a substantive review by the futures exchanges, rather than merely being a simple filing procedure. The Futures Program Trading Provisions clearly stipulate that traders are only permitted to conduct program trading after receiving confirmation from the futures exchanges, either directly (for non-member participants) or through the futures brokers.

IV. Direct Market Access and Colocation

Under the current practice, traders are permitted to use direct market access (“DMA”) and colocation to carry out program trading. The Futures Program Trading Provisions formalize these arrangements while clarifying the risk management responsibilities of the parties concerned.

1. DMA

The Futures Program Trading Provisions clarify the requirements on DMA for futures program trading. Futures brokers must integrate the management of DMA into their compliance and risk control systems, and establish a comprehensive management mechanism covering the entire process, including access testing, transaction monitoring, etc.

The Futures Program Trading Provisions also specify the requirements for system functions and system testing. The technical systems used by program 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 brokers 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. Before connecting to the trading system of a futures broker, the technical system used by a program trader shall be tested by the futures broker itself or a third-party institution appointed by the futures broker. Futures brokers shall properly preserve such test records for no less than twenty years.

The Futures Program Trading Provisions prohibit futures brokers from deploying their trading systems and traders' technical systems on the same physical device. Trading system management permissions must not be granted to clients. Program traders shall not use DMA to engage in illegal futures business operations. They shall not solicit traders or process third-party trading instructions. They shall not transfer or lend their own technical systems or provide external access to third parties.

2. Colocation and Seat Allocation

The Futures Program Trading Provisions mandate the futures exchanges to formulate policies for reporting of colocation information and management of trading seats. The futures brokers are required to develop policies for management of colocation resources, ensuring rational use of such resources and fair trading. Futures exchanges shall conduct regular inspection on the use of colocation resources and trading seats by futures brokers and program traders. If any non-compliance is detected, the futures exchanges may impose self-disciplinary measures on the futures brokers or the traders.

Futures brokers are prohibited from providing colocation services to program traders who frequently engage in abnormal trading activities or whose technical systems have experienced significant technical failures.

V. Trading Monitoring and Risk Management

1. Market Abnormality Monitoring by Futures Exchanges

The futures exchanges shall establish and effectively implement policies for risk monitoring, early warning and prevention, and emergency response of program trading, to ensure the security of their systems and maintain the order of market trading.

In addition, the Futures Program Trading Provisions specify qualitative definitions of abnormal futures program trading behaviors, which are primarily as follows:

- 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.
- 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.
- 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.
- Other circumstances identified by the futures exchanges that warrant close supervision and monitoring.

At present, the futures exchanges have already stipulated the types of abnormal trading and the quantitative standards through their respective rules for supervising abnormal trading behaviors. In addition, the CSRC has implemented a series of measures targeting futures program trading, which include establishing and improving the supervision and monitoring system as well as strengthening the administration of abnormal trading behaviors. As for the specific standards regarding abnormal futures program trading, further observation is needed.

2. Compliance and Risk Control Requirements for Program Traders

- (1) Entities participating in program trading shall establish and effectively implement internal control, risk management, and compliance management policies for program trading.
- (2) The persons responsible for compliance and risk management within these entities 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.

These requirements are consistent with existing regulations governing securities program trading and the rules applicable to private fund managers that engage in program trading.

3. Impact of Futures Brokers' Compliance and Risk Control Requirements on Program Traders

- (1) Before accepting a client's program trading mandate, a futures broker must enter into an agreement with the client. Program traders will face more rigorous contractual requirements when engaging futures brokers for program trading services. They must enter into standardized agreements that clearly delineate their rights, responsibilities, and obligations regarding reporting management, risk control, etc. Since the China Futures Association will mandate essential contractual terms, program traders will have limited flexibility in negotiating agreement provisions and must adapt their operational procedures to align with these standardized requirements.
- (2) Program traders will experience heightened scrutiny and more stringent operational constraints as futures brokers implement enhanced internal control, risk management, and compliance frameworks. These broker-side controls may result in additional verification procedures, documentation requirements, and potential delays in trade execution. Program traders may need to provide more detailed information about their trading strategies, risk parameters, and operational procedures to satisfy futures brokers' internal compliance standards. Additionally, they may face more frequent account reviews and enhanced due diligence processes.
- (3) Program traders will be subject to more comprehensive monitoring of their trading activities, with futures brokers actively reviewing and scrutinizing program trading instructions. Program traders must ensure their trading patterns comply with the

futures exchanges' requirements and be prepared for immediate corrective actions or temporary trading suspensions if their activities are flagged as irregular.

4. Emergency Response

The Futures Program Trading Provisions outline requirements for the measures to be taken by the relevant parties when facing sudden events such as force majeure, accidents, significant technical failures, and significant human errors, which may trigger significant abnormal fluctuations in futures prices or the market. The main requirements are as follows:

- (1) For program traders, they shall immediately take measures such as suspending trading and canceling orders, and fulfill their reporting obligations.
- (2) For futures brokers, if they identify that their clients are in the aforementioned situation, they shall immediately take measures such as suspending the acceptance of orders and canceling relevant orders, and fulfill their reporting obligations to the futures exchanges and the local branch of the CSRC.
- (3) For futures exchanges, if the aforementioned situation occurs and affects the system security and normal trading order of the futures exchanges, the futures exchanges may lawfully take measures such as suspending trading, adjusting the opening and closing times, and canceling trading, and promptly report to the CSRC.

VI. Forthcoming Implementation Rules

According to the Futures Program Trading Provisions, the futures exchanges will implement the following measures progressively: (1) introduce specific standards for futures HFT; (2) formulate 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, implementing differentiated fee frameworks for HFT activities; (3) develop a program trading reporting policy, detailing the content, methods, and verification requirements for such reporting; (4) establish policies for colocation information reporting and trading seat management; (5) define specific criteria for identifying abnormal futures program trading behaviors.

In addition, the China Futures Association will develop the essential terms for the agreement between the securities brokers and traders engaged in futures program trading. Consequently, program traders will likely be required to collaborate with futures brokers to execute updated agreements or supplemental arrangements.

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