

## **Delivery Rules of the Shanghai International Energy Exchange**

(Revised)

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## Chapter 1 General Provisions

**Article 1** These *Delivery Rules of the Shanghai International Energy Exchange* (hereinafter referred to as the “Delivery Rules”) are formulated, in accordance with the *General Exchange Rules of the Shanghai International Energy Exchange* and the relevant implementing rules, to ensure the normal operations of futures delivery at the Shanghai International Energy Exchange (hereinafter referred to as “the Exchange”), strengthen the management of the Designated Delivery Storage Facilities, standard warrants and commodity registration, and regulate the delivery operations.

**Article 2** The Exchange’s delivery operations shall follow these Delivery Rules. The participants involved in the delivery operations including the Exchange, Members, Overseas Special Participants (hereinafter referred to as the “OSPs”), Overseas Intermediaries, Clients, Designated Delivery Storage Facilities and Designated Inspection Agencies, shall abide by these Delivery Rules.

**Article 3** The delivery of a futures contract may take the form of physical delivery or other delivery methods prescribed by the Exchange.

**Article 4** Physical delivery refers to the settlement of open positions in a futures contract by the buyer and seller through an ownership transfer of the underlying commodity of the contract in accordance with the rules and procedures of the Exchange.

The physical delivery of a futures contract is divided into bonded delivery and duty-paid delivery based on different duty payment statuses of the delivery commodities. Bonded delivery means the physical delivery of the underlying commodity of a futures contract in bonded status within the Customs Special Supervision Areas or the Bonded Supervision Premises. Duty-paid delivery means that the physical delivery of the underlying commodity has been cleared through the customs and its taxes such as the customs duties and VATs have been paid.

The physical delivery of the futures contract is divided into warehouse delivery, factory delivery and other delivery methods based on different natures of the delivery venues. Warehouse delivery is a process of physical delivery where the buyer and the seller perform delivery in accordance with the required procedures by transferring the ownership of warehouse standard warrants. Factory delivery is a process of physical delivery where the buyer and the seller perform delivery in accordance with the required procedures by transferring the ownership of factory standard warrants.

**Article 5** The Designated Delivery Storage Facilities include the warehouses and the factories. Warehouse refers to a facility of a licensed commodity storage enterprise which has been approved and designated by the Exchange for the physical delivery of a commodity futures. Factory refers to a facility of a producer which has been approved and designated by the Exchange for the physical delivery of a commodity futures.

The Designated Delivery Storage Facilities shall be announced separately upon the verification and approval of the Exchange.

**Article 6** The standard warrant refers to the receipt entitling the holder thereof to take delivery of the physical commodity issued by the Designated Delivery Storage Facility in accordance with the procedures prescribed by the Exchange, and generated in the Standard Warrant Management System of the Exchange. Other receipts entitling physical delivery except the standard warrants are classified as non-standard warrants.

The standard warrant is divided into the bonded standard warrant and duty-paid standard warrant based on different duty payment statuses of the futures commodities.

The standard warrant is divided into warehouse standard warrant and factory standard warrant based on different natures of the delivery venues.

**Article 7** For physically delivered futures contracts, delivery for all the open positions at expiry shall be conducted according to the standard delivery procedures, whereas the delivery of immature contracts may be conducted according to the procedures of Exchange for Physical (hereinafter referred to as the “EFP”).

**Article 8** Members shall perform the physical delivery with the Exchange directly.

Members’ Clients, OSPs who authorize Members to clear, and Overseas Intermediaries who authorize Members to trade and clear (the aforementioned

Clients, OSPs and Overseas Intermediaries are collectively referred to as the “Clearing Delivery Principals”) shall perform the physical delivery via their Members at the Exchange.

The Clients of Overseas Special Brokerage Participants (hereinafter referred to as the “OSBPs”) and Overseas Intermediaries shall perform the physical delivery via those OSBPs and Overseas Intermediaries respectively.

Unless otherwise prescribed by the Exchange, the Clients who cannot issue or accept the prescribed invoices of the Exchange shall not make or take delivery.

**Article 9** The grades and quality specifications shall be set forth in the futures contract.

**Article 10** The Exchange may implement commodity registration for delivery commodities.

**Article 11** The Exchange may charge delivery fees from buyers and sellers of the physical delivery. The fee standard shall refer to the specific provisions of the corresponding listed futures contracts in these Delivery Rules.

## **Chapter 2 Standard Delivery**

**Article 12** The physical delivery of a matured futures contract shall be completed within the delivery period provided by the futures contract. The

delivery period refers to the five (5) consecutive trading days immediately after the last trading day of the futures contract. These five (5) consecutive trading days are called the First, Second, Third, Fourth and Fifth Delivery Day respectively. The Fifth Delivery Day is the last delivery day.

#### 1. The First Delivery Day (Application)

(1) Buyers submit notice of intentions. Buyers submit a notice of intention to accept the required commodities to the Exchange via the Standard Warrant Management System, including information such as the products, quantities, the names of the Designated Delivery Storage Facilities, etc.

(2) Sellers submit standard warrants. Sellers submit the valid standard warrants for which storage fees have been paid in full to the Exchange via the Standard Warrant Management System. Sellers are responsible for the storage fees before the Fifth Delivery Day (including that day), while the buyers are responsible for the storage fees after the Fifth Delivery Day.

#### 2. The Second Delivery Day (Matching)

The Exchange matches and allocates available standard warrants in accordance with the principles of “time priority, quantity rounding, nearest matching, and overall arrangement”.

The Exchange allocates the standard warrants that cannot be used for the physical delivery of the futures contract in the next month to the buyers according to the proportion of each buyer’s delivery volume in the total delivery volume of the month.

### 3. The Third Delivery Day (Payment and obtaining the warrant)

(1) Buyers pay and obtain the warrants. Buyers shall make the payment to the Exchange before 14:00 on the Third Delivery Day and obtain the standard warrants.

(2) Sellers receive the payment. The Exchange shall transfer the payment to the sellers before 16:00 on the Third Delivery Day. This time limit may be extended by the Exchange under special circumstances.

### 4. The Fourth and Fifth Delivery Day (Submitting invoices and returning margin)

Sellers shall submit all the invoices corresponding to the delivery commodities to the Exchange. The format and content of the invoices shall follow the provisions of the Exchange. Other matters regarding the returning of margin and the submission of invoices shall follow the relevant provisions of the *Clearing Rules of the Shanghai International Energy Exchange*.

**Article 13** When the Members perform physical delivery at the Exchange, the standard warrant shall be transferred in the following procedure:

1. The Members as sellers submit the standard warrants to the Exchange.

2. The Exchange allocates the standard warrants to the Members as buyers.

**Article 14** When the Clearing Delivery Principals perform physical delivery at the Exchange, the standard warrant shall be transferred in the following procedure:

1. The Clearing Delivery Principals of Members as sellers authorize the Members as sellers to take the standard warrants for physical delivery.

2. The Members as sellers submit the standard warrants to the Exchange.

3. The Exchange allocates the standard warrants to the Members as buyers.

4. The Members as buyers allocate the standard warrants to the Clearing Delivery Principals.

The Members as buyers shall allocate the standard warrants that are allocated to them to their Clearing Delivery Principals before the last delivery day (including that day). The OSBPs or Overseas Intermediaries shall decide when to allocate the standard warrants with the Members as buyers, and then allocate the standard warrants to their Clients before the last delivery day (including that day). The Members as buyers or OSBPs shall promptly report the reasons to the Exchange when they fail to allocate the standard warrants within the prescribed time.

The Clients shall comply with the third paragraph of Article 8 during the circulation of the standard warrants when their OSBPs or Overseas Intermediaries conduct the physical delivery on their behalf.



**Article 15** Unless otherwise prescribed by the Exchange or relevant institutions, the circulation procedures of the Members' invoices are as follows:

1. The Members as sellers issue the invoices to the Exchange.
2. The Exchange issues the invoices to the Members as buyers.

**Article 16** Unless otherwise prescribed by the Exchange or relevant institutions, the circulation procedures of the invoices of the Clearing Delivery Principals are as follows:

1. The Clearing Delivery Principals of the Members as sellers issue the invoices to their Members as sellers.
2. The Members as sellers issue the invoices to the Exchange.
3. The Exchange issues the invoices to the Members as buyers.
4. The Members as buyers issue the invoices to their Clearing Delivery Principals.

When the OSBPs or Overseas Intermediaries perform the physical delivery for their Clients, they shall directly issue or receive the invoices to or from the Members that provide clearing services to them; the Clients shall issue or receive the invoices by reference to the third paragraph of Article 8.

**Article 17** Any "loss compensation" or "overfill and underfill" that occurs within the permissible range of a futures contract shall follow the specific provisions regarding the listed futures contract in these Delivery Rules.

**Article 18** The final settlement price of a futures contract is the benchmark price for the delivery of such futures contract, and shall follow the specific provisions regarding the listed futures contract in these Delivery Rules.

At the time of delivery settlement, the buyer and the seller shall calculate payment based on the final settlement price of the futures contract, and add premiums or discounts determined by the Exchange based on different grades, qualities, places of production, delivery venues, etc. of the delivery commodities.

### **Chapter 3 Exchange of Futures for Physicals**

**Article 19** The exchange of futures for physicals, or the EFP, is the process where the buyers and the sellers who hold opposite positions of a futures contract expiring in the same month reach an agreement through negotiation to, upon approval of the Exchange, tender a notice of EFP to have their respective positions in such contract closed out by the Exchange at the price prescribed by the Exchange, and exchange, at the price mutually agreed upon, the warrant of the underlying commodity which has a quantity equivalent to and is identical to or similar with the underlying commodity of the futures contract.

**Article 20** The EFP application period is from the listing day of a futures contract to the second trading day (including that day) prior to the last trading day of the contract.

**Article 21** The Members, OSPs, Overseas Intermediaries and Clients may tender their EFP intentions via the Exchange's Standard Warrant Management System. The contents of the intentions shall include the Clients' trading codes, the products, the contract months, the directions of the transactions, the delivery methods of the EFPs, quantities, the contact information, etc. The buyers and sellers may reach an agreement on their own initiatives based on the EFP intentions published by the Exchange.

**Article 22** After the buyers and the sellers who hold opposite positions of a futures contract expiring in the same month reach an agreement, either party may submit the EFP application to the Exchange via the Standard Warrant Management System before 14:00 of any trading day (the application day) within the EFP application period, and perform the EFPs upon the approval of the Exchange.

The Members, OSPs, Overseas Intermediaries and Clients shall perform the EFPs according to the procedures prescribed in Article 8 of these Delivery Rules.

**Article 23** If standard warrants are used for the EFPs and the EFPs are settled via the Exchange, the EFP application shall be submitted by the Members to the Exchange.

**Article 24** The operational procedures that the Clearing Delivery Principals use the standard warrants for the EFPs and settle the EFPs via the Exchange are as follows:

1. The Clearing Delivery Principals of Members as sellers authorize the Members as sellers to take the standard warrants for the EFPs.

2. The Members as sellers submit the standard warrants to the Exchange within the prescribed time.

3. The Exchange allocates the standard warrants to the Members as buyers.

4. After the Members as buyers make payment, the Exchange releases the standard warrants that have been allocated to the Members as buyers, and transfer the payment to the Members as sellers.

5. The Members as buyers allocate the standard warrants to their Clearing Delivery Principals.

The Members as buyers shall allocate the standard warrants to their Clearing Delivery Principals within three (3) business days after they receive them. The OSBPs or Overseas Intermediaries shall decide when to allocate the standard warrants with the Members as buyers, and then allocate the standard warrants to their Clients within three (3) business days after they receive them. The Members as buyers or OSBPs shall promptly report the reasons to the Exchange when they fail to allocate the standard warrants within the prescribed time.

The Clients of OSBPs or Overseas Intermediaries shall perform the EFPs according to the procedures prescribed in the third paragraph of Article 8 of these Delivery Rules.

**Article 25** The final settlement price of the EFPs is the price agreed by the buyer and the seller, while in case the bonded standard warrant is used and the settlement is conducted through the Exchange, the final settlement price of the EFPs shall be calculated according to the specific provisions regarding the listed futures contract in these Delivery Rules.

**Article 26** If the standard warrants are used for the EFPs and the settlement is conducted via the Exchange, the trading margin shall be calculated based on the settlement price of the trading day before the application day for the corresponding delivery month contract. The exchange of the payment for the underlying commodities and the standard warrants shall be completed through the Exchange ~~within the time agreed upon by the buyer and the seller~~ on the next trading day after the application day, unless otherwise prescribed by the Exchange.

**Article 27** If the standard warrants are used for the EFPs and the settlement is conducted directly between the buyer and the seller, the buyer and the seller shall make payment on their own, and transfer privately settled standard warrants outside the Exchange in accordance with the procedures prescribed in these Delivery Rules, or transfer the standard warrants on their

own after they make or take delivery, unless otherwise prescribed by the Exchange.

**Article 28** If the standard warrants are used for the EFPs and the settlement is conducted via the Exchange, the seller shall submit the invoices to the Exchange within five (5) trading days immediately after exchanging the payment for underlying commodities and the standard warrants. If the seller submits the invoices before 14:00, the Exchange shall return the corresponding margin during the settlement of the day to the seller after verification. If the seller submits the invoices after 14:00, the Exchange shall return the corresponding margin during the settlement on the next trading day to the seller after verification. After receiving the invoices from the seller, the Exchange shall issue the invoices to the buyer on the next trading day. If the seller fails to submit the invoices within the prescribed time, it shall be subject to the relevant provisions of the *Clearing Rules of the Shanghai International Energy Exchange*.

**Article 29** All delivery payments of the EFP settled through the Exchange shall be handled through internal transfer, bank transfer, etc.

**Article 30** If the standard warrants are used for the EFPs and the settlement is conducted via the Exchange, and if the delivery is not completed within the prescribed time, the relevant rules of delivery default shall apply. If there are disputes over the quality of the delivery commodities, the buyer shall submit a complaint and provide the quality inspection report issued by

the Exchange's Designated Inspection Agencies within ten (10) business days after the report is issued.

**Article 31** If the non-standard warrants are used for the EFPs, the buyer and the seller shall abide by the relevant laws and regulations, and provide the relevant agreement for sale and purchase, the non-standard warrants and other materials. The payment for underlying commodities, the non-standard warrants and the invoices shall be transferred directly between the buyer and the seller. If there are disputes over the quality of the delivery commodities while non-standard warrants are used during the delivery, the relevant Members, OSPs and Overseas Intermediaries shall coordinate and resolve the disputes. The Exchange will be exempt from any responsibilities of guaranty thereof.

**Article 32** The non-bona fide EFPs shall be subject to the relevant provisions of the *Enforcement Rules of the Shanghai International Energy Exchange*.

**Article 33** The Exchange shall timely publish relevant information on EFPs.

#### **Chapter 4 Warehouse Delivery**

**Article 34** Before applying for the issuance of warehouse standard warrants, the owners of the commodity shall submit a load-in application to

the Exchange. The load-in application shall specify information including the products, the quantities, the names of the owners, the proposed load-in dates and names of the proposed Designated Delivery Storage Facilities, along with various documents and certificates.

The Members, OSPs, Overseas Intermediaries and Clients shall perform the load-in application according to the procedures prescribed in Article 8 of these Delivery Rules.

The information for the load-in application shall be true and accurate.

**Article 35** The Exchange shall consider the willingness of the owners and the storage capacity to decide whether to approve the load-in application, and to determine the valid load-in period within three (3) trading days after it receives the required materials for the load-in application. Upon the approval of the Exchange, the owners shall transport the commodities to the Designated Delivery Storage Facilities within the valid load-in period. The valid load-in period comes into effect on the day of the Exchange's approval. The Exchange may adjust the valid load-in period based on different circumstances. The valid load-in period shall follow the specific provisions regarding the listed futures contract in these Delivery Rules.

Standard warrants shall not be issued for the commodities if the load-in has not been approved or completed within the stipulated valid period.

**Article 36** The owners shall pay a deposit for load-in according to the standards specified in the corresponding section of the listed futures contract



in these Delivery Rules. The deposit for load-in shall be transferred from the Members' clearing deposit by the Exchange.

Within two (2) trading days after the owner of the commodity completes load-in and obtains the warehouse standard warrants, the Exchange shall return the deposit for load-in to the Members' clearing deposit. In case of partial load-in, the deposit in proportion to the quantity unloaded shall be paid to the Designated Delivery Storage Facilities as compensation; in the case of load-in failure at the expiration of the valid load-in period, all the deposit for load-in shall be paid to the Designated Delivery Storage Facilities as compensation; unless otherwise agreed by the owners and the Designated Delivery Storage Facilities and approved by the Exchange. If the actual load-in quantity falls within the allowed tolerance of the futures contract, all the deposit for load-in shall be returned.

If the owners are Clearing Delivery Principals, the Exchange shall transfer the deposit from or to the clearing deposit of the Members that provide clearing services to such owners.

**Article 37** The load-in and load-out inspection of futures commodities shall be conducted by the Designated Inspection Agencies in accordance with the inspection standards and methods specified in the Inspection Rules of corresponding futures products.

The seller may select an inspection agency among the Exchange's Designated Inspection Agencies at the time of load-in, while the buyer may

select an inspection agency among the Exchange's Designated Inspection Agencies at the time of load-out. Should the Designated Delivery Storage Facilities have a dispute against the inspection agency selected by the buyer or the seller, they may negotiate with the buyer or the seller to select another Designated Inspection Agency. If the negotiation fails, the Designated Delivery Storage Facilities may appeal to the Exchange to select another Designated Inspection Agency.

The buyer, the seller and the Designated Delivery Storage Facilities shall cooperate with the Designated Inspection Agencies for their inspection. The inspection fees shall be paid by the seller at the time of load-in, and be paid by the buyer at the time of load-out, unless otherwise prescribed in these Delivery Rules.

**Article 38** The minimum quantity of load-in and load-out for the futures commodities shall follow the specific requirements regarding the listed futures contract in these Delivery Rules. The means of transportation shall meet the requirements on loading, unloading, measurement, etc. of the ports, the terminals, the Designated Delivery Storage Facilities, etc., and shall strictly satisfy the safety operation standards of the Designated Delivery Storage Facilities.

**Article 39** The Designated Delivery Storage Facilities shall verify the futures commodities and the relevant documents and certificates upon the arrival of such commodities.

The applied load-in futures commodities shall be shipped directly from the port of the place of origin, or from the registered producer to the Designated Delivery Storage Facilities. No blending shall be allowed during the loading and storage, unless otherwise prescribed by the Exchange.

The Designated Delivery Storage Facilities have the rights to supervise and manage the transportation of commodities.

**Article 40** The load-in inspection of futures commodities is classified into quality inspection and quantity inspection.

1. The load-in quality inspection

Before the load-in, the Designated Inspection Agency shall take samples of the commodities from the ship tanks or other transport containers (Sample A) and from the Designated Delivery Storage Facility (Sample B), and have them sealed. Sample A shall be classified into Sample A1 and Sample A2, where Sample A1 shall contain multiple samples taken from each single ship tank or single container of the load-in commodities, and Sample A2 shall contain the proportioning mixture of all the samples of A1. After load-in, the Designated Inspection Agency shall take another sample from the depot of the Designated Delivery Storage Facility (Sample C), conduct the inspection, and issue an inspection report. If Sample C passes the inspection, it means the commodities delivered by their owner are qualified. The quality inspection report of the commodities delivered by the owner is the inspection report based on Sample C.

If Sample C fails the inspection, the Designated Inspection Agency shall conduct inspection on Sample A and Sample B, and may result in one of the following four scenarios:

(1) If Sample A passes but Sample B fails the inspection, it means the commodities delivered by the owner are qualified. The Designated Delivery Storage Facility shall be liable for the disqualification of the commodities in the depot after the load-in. The inspection fees for Sample A and Sample B shall be borne by the Designated Delivery Storage Facility.

(2) If Sample B passes but Sample A fails the inspection, it means the commodities delivered by the owner are unqualified. The owner shall be liable for the disqualification of the commodities in the depot after the load-in. The inspection fees for Sample A and Sample B shall be borne by the owner.

(3) If both Sample A and Sample B pass the inspection, it means the commodities delivered by the owner are qualified. The Designated Delivery Storage Facility shall be liable for the disqualification of the commodities in the depot after the load-in. The inspection fees for Sample A and Sample B shall be borne by the Designated Delivery Storage Facility.

(4) If both Sample A and Sample B fail the inspection, it means the commodities delivered by the owner and those originally in the depot are both unqualified. Both the owner and the Designated Delivery Storage Facility shall be liable for the disqualification of the commodities in the depot after

the load-in. The inspection fees for Sample A shall be borne by the owner and that for Sample B shall be borne by the Designated Delivery Storage Facility.

Under any of the above mentioned four scenarios, if either of Sample A1 or Sample A2 is unqualified, Sample A is considered unqualified. The quality inspection reports of the commodities delivered by the owner are all from Sample A.

2. The quality inspection shall be subject to the quality inspection report issued by the Designated Inspection Agency. Only if the quality inspection report satisfies the Exchange's quality standards of the delivery commodities may the standard warrants be generated. The quantity inspection shall be subject to the quantity inspection report issued by the Designated Inspection Agency, and abide by the specific provisions regarding the corresponding listed futures contract in these Delivery Rules.

3. The owners' liabilities for quality

The owners shall ensure that the delivered commodities satisfy the quality standards provided by the Exchange. If the owner's delivered commodities do not satisfy the quality standards which makes other futures commodities non-deliverable (failing to satisfy the quality standards provided by the Exchange), the owners shall assume full liabilities.

4. The supervision of load-in

The owners shall supervise the load-in of commodities at the Designated Delivery Storage Facilities. Otherwise, the owner is deemed to agree with the inspection results issued by the Designated Inspection Agencies.

**Article 41** Necessary documents and certificates of delivery such as quality certificates and inspection certificates shall be provided together with the delivery commodities of the futures contract. Such documents and certificates shall follow the specific requirements regarding the listed futures contract in these Delivery Rules.

**Article 42** After the futures commodities have been loaded in and passed the inspection, the Designated Delivery Storage Facilities shall input the load-in inspection results into the Standard Warrant Management System, and the owners shall apply to the Exchange to issues standard warrants via Members, OSPs or Overseas Intermediaries. The Members, OSPs or Overseas Intermediaries shall apply to the Exchange to verify the necessary documents and certificates of delivery. After such documents and certificates are verified, the Exchange shall notice the Designated Delivery Storage Facilities to issue the standard warrants in the Standard Warrant Management System.

**Article 43** After an Designated Delivery Storage Facility receives the Exchange's notice, it shall issue the standard warrants in the Standard Warrant Management System according to the following requirements:

1. The number of the standard warrants as well as the relevant documents and certificates shall satisfy the Exchange's requirements for load-in application;

2. The conditions of the commodities indicated in the standard warrants such as the quality, the package, etc. shall satisfy relevant provisions of the Exchange.

**Article 44** When the legitimate holder of standard warrant applies to take commodities, the Designated Delivery Storage Facilities shall deliver the commodities after verifying the standard warrant is valid. The owner may personally or authorize others to take commodities, or authorize the Designated Delivery Storage Facilities to take and deliver the commodities.

When the legitimate holder of standard warrant takes commodities, he/she shall authorize the Exchange's Designated Inspection Agency to perform an on-site inspection of the quality and quantity of the delivery commodities. The quality and quantity of the load-out commodities shall be subject to the inspection report issued by the Designated Inspection Agency, and the inspection shall follow the specific provisions regarding the listed futures contract in these Delivery Rules. Samples shall be taken from the Designated Delivery Storage Facility for quality inspection. When the legitimate holder of standard warrant does not authorize the Exchange's Designated Inspection Agency to perform the inspection, it is deemed that the Designated Delivery Storage Facility has delivered the commodities without

any dispute. The Designated Delivery Storage Facility and the Exchange will no longer accept requests for dispute resolution against the delivered commodities.

When the legitimate holder of the standard warrant has any dispute against the delivered commodities, he/she shall apply in writing for dispute resolution to the Designated Delivery Storage Facility within ten (10) business days after the Designated Inspection Agency issues the inspection reports. The quality inspection ~~conclusion~~reports issued by the Designated Inspection Agency shall also be provided with the application. If the application is not submitted within the specified time period, it is deemed that there is no dispute against the delivered commodities, and the Designated Delivery Storage Facility and the Exchange will no longer accept requests for dispute resolution against the delivered commodities.

**Article 45** If the holder of the bonded standard warrants needs to make customs declaration in order to import the commodities, the relevant state provisions for bonded commodities shall be followed.

The bonded delivery settlement statement and the bonded standard warrant list for customs declaration shall be issued to the holder of the bonded standard warrant at the same time when such warrant is cancelled. The commodities for the customs declaration and their quantities shall be consistent with those specified in the bonded delivery settlement statement and the bonded standard warrant list.



**Article 46** The transportation of the delivery commodities into and out of the Designated Delivery Storage Facilities shall be arranged by the buyers and the sellers.

**Article 47** After the futures commodities pass the inspection, the Designated Delivery Storage Facilities shall undertake full responsibilities for their quality, safety, and other aspects from the load-in to the load-out of such commodities, unless otherwise prescribed by the Exchange. The Exchange shall examine and verify the stored commodities annually.

## **Chapter 5 Factory Delivery**

**Article 48** A factory shall apply to the Exchange for permission before issuing a factory standard warrant. The application shall include the product name, the name of the institution, the name of the owner, and the proposed number of the warrants to be issued.

**Article 49** Before or at the time when the factory submits an application for issuing the factory standard warrant, the factory shall, according to relevant provisions, provide the performance bonds from the banks which correspond with the number of factory standard warrants to be issued and are recognized by the Exchange, or provide other guarantees recognized by the Exchange.

When the price of a futures contract greatly fluctuates, the Exchange may require the factory to adjust its guarantees based on the market changes.

**Article 50** When the approved factory storage capacity is available and the required guarantee is provided, the Exchange shall decide whether to approve the factory to issue factory standard warrants within three (3) trading days after receiving the required application materials.

**Article 51** The approved factory storage capacity means the maximum quantities specified in the factory standard warrants that the factory may issue (including those that have been issued but not yet been cancelled).

The confirmation of and adjustment to the approved storage capacity of each factory shall be approved and announced by the Exchange.

The approved factory storage capacity is determined by the Exchange based on its daily production capacity, factory storage capacity, daily delivery amount, credit of the factory, etc.

**Article 52** After the factory submits the performance bonds, a Member, OSP or Overseas Intermediary shall submit relevant necessary documents and certificates, such as certificates showing payment is settled between the owner and the factory, to the Exchange for verification. After verifying and approving such documents and certificates, the Exchange shall notify the factory to issue a factory standard warrant in the Standard Warrant Management System.

The factory shall issue the factory standard warrant in the Standard Warrant Management System after receiving the Exchange's notice.

**Article 53** The factory standard warrants issued by the factory which is also the owner of such warrants shall not be collateralized as margin.

**Article 54** The legitimate holder of the factory standard warrants shall pay storage fees to the factory during the period holding the standard warrants.

**Article 55** The daily delivery amount of the factory refers to the minimum quantities of commodities that the factory shall arrange to deliver within twenty-four (24) hours. The confirmation of and adjustment to the daily delivery amount of the factory shall be approved and announced by the Exchange. The factory shall not change the daily delivery amount without approval. The manufacturer shall seek prior approval from the Exchange if it needs to adjust the daily delivery amount due to normal maintenance or other reasons.

**Article 56** Defaults during factory delivery of different futures commodities shall be subject to specific provisions regarding the listed futures contracts prescribed in these Delivery Rules.

## **Chapter 6 Delivery Default**

**Article 57** Any of the following conducts constitutes delivery default:

1. The seller fails to deliver the required number of standard warrants within the prescribed delivery period;
2. The buyer fails to make the payment as required within the prescribed delivery period;
3. Other conducts the Exchange deems as delivery default.

**Article 58** The following formulas shall be used to calculate the delivery default quantities of the buyer or the seller in a futures contract:

The delivery default quantity of the seller (lots) = the standard warrant quantities due (lots) – the standard warrant quantities delivered (lots)

The delivery default quantity of the buyer (lots) = (payment due – payment made) ÷ the final settlement price ÷ contract size

In calculating the delivery default amount with regard to the quantity of the buyer in a futures contract, a deposit of twenty percent (20%) of the value of the contract shall be reserved for penalties and compensation.

**Article 59** Once a delivery default occurs and determined by the Exchange, the Exchange shall notify the defaulting party (the defaulter) and the non-defaulting party (the non-defaulter) through the member service system before 16:30 on the next trading day of default.

**Article 60** In case only one party defaults, the defaulter shall pay the non-defaulter a penalty of twenty percent (20%) of the delivery default quantity multiplied by the contract size and the final settlement price. The

Exchange returns the payment for commodities or the standard warrants to the non-defaulter to terminate the delivery.

**Article 61** In case both the buyer and the seller default, the Exchange shall terminate the delivery, and impose a fine of five per cent (5%) of the contract value subject to default against the buyer and the seller respectively.

**Article 62** When a delivery is terminated, the Exchange's obligations to guarantee the delivery shall be dismissed.

**Article 63** If a Member commits a partial delivery default, the Exchange may use the standard warrants or the payment for commodities received by the Member for default resolution.

**Article 64** When a Clearing Delivery Principal fails to perform the physical delivery but the Member he/she authorizes performs the delivery on his/her behalf, the Exchange may, after reviewing and approving the Member's application, transfer the corresponding standard warrants to the standard warrant account of the Member. The Member may deal with such standard warrants in accordance with the law.

**Article 65** If a Member, an OSP, an Overseas Intermediary or a Client deliberately defaults on physical delivery, it shall be subject to the provisions prescribed in the *Enforcement Rules of the Shanghai International Energy Exchange*.

**Article 66** A Member, an OSP, an Overseas Intermediary, a Client and a Designated Delivery Storage Facility that has defaulted on delivery

shall be obliged to provide relevant supporting materials regarding such default.

**Article 67** Any delivery dispute between a buyer or a seller and a Designated Delivery Storage Facility shall be timely reported to the Exchange by the Designated Delivery Storage Facility. The two disputing parties concerned may negotiate and settle the dispute between themselves. If the negotiation fails, either party may apply to an arbitral institution for arbitration according to their arbitration agreement, or bring suit in court if there is no arbitration agreement or the arbitration agreement is invalid.

## **Chapter 7 Management of Designated Delivery Storage Facilities**

**Article 68** An applicant applying to be a Designated Delivery Storage Facility shall meet the following criteria:

1. Having corresponding commodity storage business qualification which satisfies the local laws and regulations; having bonded storage business qualification if applying for the bonded delivery business;
2. Having sound financial condition and comparatively strong risk resistance capacity; having the amount of registered capital and net assets as prescribed by the Exchange;
3. Its warehouse storage capacity or factory production capacity satisfying the requirements prescribed by the Exchange;

4. Having good business reputation and no record of severe violations or disqualification of the Designated Delivery Storage Facility within the last three (3) years;

5. Having complete rules and sound systems for the production of relevant commodities, and the management of their load-in, load-out and storage; security and measurement of such commodities satisfying the requirements of relevant laws, regulations and industry rules;

6. Having a professional management team in which the senior managers shall have over five (5) years of production or storage facility management experience;

7. Having sound transportation, as well as sound and complete terminal facilities, ports and equipment thereof;

8. Recognizing and undertaking to abide by the General Exchange Rules, these Delivery Rules, etc.; and

9. Other requirements prescribed by the Exchange.

The Exchange is entitled to waive one or more conditions above depending on the financial condition, risk management capabilities and soundness of operation of the applicant.

**Article 69** An applicant applying to be a Designated Delivery Storage Facility shall submit the following materials:

1. An application letter with valid signatures.

2. Certificates proving the establishment of enterprises such as the Business License, the Organization Code Certificate and the Tax Registration Certificate, qualification certificates for commodity storage business, and qualification certificates of metrology personnel.

3. Audit reports in the past two years issued by a Certified Public Accountant (CPA) firm.

4. Land use certificates (or Land lease contracts), terminal use certificates (or terminal lease contracts), and relevant supporting documents about port conditions and equipment.

5. Approval documents on the application for the Designated Delivery Storage Facility issued by the superior authority or the Board of directors of the applicant.

6. A guarantee letter of joint liability that satisfies the Exchange's requirements.

7. Rules, systems and introductions of commodity load-in, load-out and storage management; resumes of the persons in charge and the management team.

8. Other documents required by the Exchange.

Relevant documents and materials may be waived at the Exchange's discretion.

**Article 70** The review and approval of the Designated Delivery Storage Facilities shall follow the following procedures:



1. The Exchange conducts a preliminary examination.
2. After the preliminary examination, the Exchange is entitled to conduct an on-site investigation and assessment.
3. Based on the results of the on-site investigation and assessment, and the provisions of the laws and regulations, the Exchange selects the best applicants and enters into an agreement of the Designated Delivery Storage Facility with the candidate. **Names, charging items and standards of the Designated Delivery Storage Facilities shall be separately published.**

**Article 71** After becoming a Designated Delivery Storage Facility as approved by the Exchange, the Designated Delivery Storage Facility shall:

1. Pay the performance deposit according to the requirements stipulated in the agreement of Designated Delivery Storage Facility.
2. Appoint one supervisor in charge of the futures delivery business and appoint designated personnel in charge of managing the delivery commodities and conducting the standard warrant businesses. The management shall be trained by the Exchange for delivery businesses.
3. Formulate operation instructions according to these Delivery Rules, and develop relevant futures delivery businesses only after the Exchange's verification and approval.
4. Satisfy other requirements prescribed by the Exchange.

**Article 72** The Exchange may use back-up delivery storage facilities when it deems necessary. As the back-up storage for Designated Delivery

Storage Facilities, back-up delivery storage facilities include back-up warehouses and back-up factories.

The application and approval of back-up delivery storage facilities shall be processed according to the requirements and procedures for the Designated Delivery Storage Facilities prescribed in Articles 68, 69 and 70 of these Delivery Rules. The Exchange shall enter into an agreement with back-up delivery storage facilities that pass verifications. But before the back-up delivery storage facilities formally come into use, the Exchange is entitled to require the storage facilities to provide relevant updated application materials in accordance with Article 69 depending on specific circumstances.

After the Exchange officially announces to use the back-up delivery storage facilities, the back-up delivery storage facilities will become the Designated Delivery Storage Facilities and shall conduct businesses according to the stipulations in Article 71 of these Delivery Rules.

**Article 73** A storage facility shall submit an application to the Exchange to give up its Designated Delivery Storage Facility qualification, and the application shall be reviewed and approved by the Exchange.

**Article 74** The Designated Delivery Storage Facilities shall not conduct the following activities:

1. Issuing fake warrants;
2. Violating the business rules of the Exchange and restricting the load-in or load-out of delivery commodities;

3. Disclosing business secrets regarding futures trading;
4. Violating relevant State regulations to engage in futures trading;
5. Failing to deliver commodities on time or to cooperate with Designated Inspection Agencies on their inspections without justified reasons;
6. Other activities violating the Exchange's provisions.

**Article 75** If a Designated Delivery Storage Facility does not meet the application requirements or seriously violates the Exchange's rules and regulations, the Exchange may disqualify the Designated Delivery Storage Facility.

**Article 76** A Designated Delivery Storage Facility shall complete the following matters if it has given up its qualification or been disqualified:

1. Moving out all delivery commodities or convert them into physicals.
2. Settling all credits and debts with the Exchange.
3. Refunding performance deposit.

**Article 77** The approval, give-up or disqualification of a Designated Delivery Storage Facility shall be timely announced by the Exchange and reported to the China Securities Regulatory Commission.

**Article 78** A Designated Delivery Storage Facility is entitled to the following rights:

1. Issuing standard warrants in compliance with the Exchange's rules.
2. Charging relevant fees according to the service items, fee schedules and methods approved by the Exchange.

3. Advising the Exchange on its relevant provisions regarding physical delivery.

4. Other rights provided in these Delivery Rules and the agreement of Designated Delivery Storage Facilities.

**Article 79** A Designated Delivery Storage Facility shall perform the following obligations:

1. Abiding by the General Exchange Rules, these Delivery Rules and other relevant rules of the Exchange, accepting the Exchange's supervision and management, and timely informing the Exchange of relevant situations.

2. Inspecting and accepting futures delivery commodities according to the quality standards provided in the futures contract, and cooperating with the Designated Inspection Agencies in the quality and quantity inspections of delivery commodities.

3. Safely keeping commodities in the Designated Delivery Storage Facility according to relevant provisions to ensure the safety of such commodities, and that the quantities and qualities of such commodities meet the relevant requirements.

4. Specifying the locations to store the futures delivery commodities based on the approved storage capacity, and ensuring that the futures commodities and physical commodities are stored separately; setting an independent account book for the futures delivery commodities.

5. Keeping business secrets regarding futures trading.

6. Engaging in the Exchange's annual audit.

7. Fully paying the performance deposit.

8. Timely reporting to the Exchange about any changes to its legal representatives, registered capital, shareholders or equity structure, storage venues, authorized personnel, terminal facilities, port conditions, charging items, etc.

9. Abiding by the provisions of all applicable laws and regulations (including the laws and regulations regarding environmental protection; if a Designated Delivery Storage Facility engages in bonded delivery business, it shall comply with relevant requirements of the Customs) and fulfilling other obligations provided in these Delivery Rules and the agreement of Designated Delivery Storage Facilities.

**Article 80** A Designated Delivery Storage Facility shall cooperate with the owners to coordinate relevant agencies including the terminals, ports, pipeline companies, customs and commodity inspection agencies, etc., and ensure the prioritized load-in and load-out of futures delivery commodities.

**Article 81** When an owner conducts the load-in of commodities, the Designated Delivery Storage Facility shall perform the following obligations:

1. Assisting the owners to timely and accurately load in commodities and ensuring the clarity of the formalities and responsibilities.

2. According to the Exchange's provisions, examining and verifying relevant certificates and documents for the commodities and cooperating with

the Designated Inspection Agencies to inspect the quality and quantity of such commodities.

3. After the commodities pass the inspection, confirming information on the quantity, quality, storage venue, etc. of the commodities during the generation of standard warrants; issuing the standard warrants after receiving the Exchange's approval.

**Article 82** After the commodities pass the inspection and are loaded in, a Designated Delivery Storage Facility shall store and safely keep the commodities according to the relevant rules of the State and the Exchange.

**Article 83** When an owner requests to load out commodities, the Designated Delivery Storage Facility shall verify the load-out certificates and conduct the load-out if no problems are identified after the verification.

**Article 84** A Designated Delivery Storage Facility shall record the commodity ownership transfer, as well as record and write off such information in the documents and account books.

**Article 85** When conducting the formalities for commodities load-in and load-out, a Designated Delivery Storage Facility shall enter the corresponding data into the Standard Warrant Management System within twenty four (24) hours after the Designated Inspection Agency issues the inspection report.

**Article 86** A Designated Delivery Storage Facility shall conduct measurement in accordance with *the Metrology Law of the People's Republic*

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of China, the Rules for the Implementation of the Metrology Law of the People's Republic of China, the Administrative Measures on Verification of Measuring Instruments for Compulsory Verification of the People's Republic of China, and other rules and regulations on metrology.

**Article 87** All the measuring instruments for compulsory verification used for futures delivery such as the flow meter, thermometer, density meter, oil (water) dip ruler, oil storage tanks, and measuring instruments and meters for ensuring safety, shall have valid and qualified certificates of verification. The metrology personnel of a Designated Delivery Storage Facility shall have legally obtained the qualification certificates issued by the local metrology authorities and abide by the metrology regulations.

**Article 88** After entering into an Agreement of the Designated Inspection Agency with the Exchange, the inspection agency becomes a Designated Inspection Agency for certain commodity futures, which will be separately published by the Exchange.

A Designated Inspection Agency shall formulate *Inspection Rules* for commodity futures based on the features of different futures commodities. These *Inspection Rules* shall be separately published by the Designated Inspection Agencies ~~separately~~.

**Article 89** During the operation of a Designated Delivery Storage Facility, the staff thereof, together with the Designated Inspection Agencies, the owners and transportation representatives, shall examine the quantity and

quality of commodities and the speed of receiving and delivering such commodities, take and seal the samples according to the provisions, and complete the handover for measurement properly.

**Article 90** A Designated Delivery Storage Facility shall assume the responsibilities for the disqualification caused by mixing different batches of qualified futures commodities.

**Article 91** A Designated Delivery Storage Facility shall assume the losses due to pipeline transportation, pump losses and volatilization during the load-in, load-out and storage of commodities. An owner shall compensate the Designated Delivery Storage Facility according to the loss compensation standards prescribed in the provisions regarding listed futures contracts in these Delivery Rules.

**Article 92** The service items and fee schedules during the load-in, load-out and storage of the futures commodities shall be verified, approved and announced by the Exchange. An owner shall pay corresponding storage fees to a Designated Delivery Storage Facility before the 25<sup>th</sup> (or the previous business day if the 25<sup>th</sup> is a national holiday) of each month.

**Article 93** An owner shall pay the deficiency in load-in deposit to the Designated Delivery Storage Facility based on the difference between the applied load-in quantity and the actual load-in quantity, unless otherwise prescribed.



**Article 94** A Designated Delivery Storage Facility shall purchase relevant commercial insurance for the futures commodities stored within the approved storage capacity.

**Article 95** A Designated Delivery Storage Facility shall make contingency plans. When accidents happen at the Designated Delivery Storage Facilities that may affect the safety of the futures commodities and the load-in and load-out operations, or have an adverse impact on the society, the Designated Delivery Storage Facility shall immediately notify the Exchange.

If there are overflow, leak, and discharge of commodities or any other environmental pollution during the load-in, load-out, and storage of futures commodities, the Designated Delivery Storage Facility shall perform necessary control and cleaning work according to the laws, regulations, and the requirements of government authorities, and inform relevant environmental protection authorities and the Exchange of the status of the above-mentioned overflow, leak, discharge as well as the control and cleaning work. The Designated Delivery Storage Facility shall be fully liable for any judgment, claim, or cost resulting from the environmental pollution.

**Article 96** The Exchange implements random checks and annual examinations. Items of examination include the storage facilities, storage capacity, storage appearance, operational capacity, business performance,

account management, owners satisfaction and other items the Exchange deems necessary.

1. The Exchange may carry out random checks at any time on one or more aspects of the work of the Designated Delivery Storage Facilities and make detailed records, in order to ensure the implementation of the Exchange's provisions in the daily operation of the Designated Delivery Storage Facilities.

2. The Exchange implements an annual examination of the Designated Delivery Storage Facilities each year, conducts assessment and evaluation, and proposes requirements for the next year.

For the Designated Delivery Storage Facilities that do not meet the requirements, the Exchange may reduce their approved storage capacity, suspend their delivery business or even remove their qualifications as Designated Delivery Storage Facilities.

**Article 97** A Designated Delivery Storage Facility shall conduct monthly self-examinations and keep the records thereof according to these Delivery Rules and its actual situations.

**Article 98** The specific amount and payment method of the performance deposit shall be specified in the agreement of the Designated Delivery Storage Facility. If no economic compensation liabilities due to default or other reasons occur to the Designated Delivery Storage Facility, the Exchange shall return the interests of the performance deposit to the

Designated Delivery Storage Facility before the end of each year (The interests are calculated at the demand deposit rate published by the People's Bank of China). If a Designated Delivery Storage Facility is required to pay economic compensation and has not paid in full, the Exchange shall pay the compensation with the performance deposit of the Designated Delivery Storage Facility, and if such deposit is not sufficient for the compensation, the Exchange has the right to recourse the compensation from the Designated Delivery Storage Facility.

**Article 99** If a standard warrant holder cannot fully or partially exercise the right of using the standard warrants because of the faults of the Designated Delivery Storage Facility, the Designated Delivery Storage Facility shall assume the compensation liabilities.

If the Designated Delivery Storage Facility is not the legitimate holder of the standard warrants, it shall not claim ownership of the futures commodities, or place any mortgage or other security interests on the futures commodities. If the Designated Delivery Storage Facility enters into bankruptcy or other credit and debt disputes, the futures commodities, which are deposited in the Designated Delivery Storage Facility by futures market participants but do not belong to the Designated Delivery Storage Facility, shall not be classified as the bankruptcy property or the sealed-up or distrained property of the Designated Delivery Storage Facility.

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## Chapter 8 Management of Standard Warrants

**Article 100** The Exchange shall establish, maintain and manage the Standard Warrant Management System, and manage the standard warrant related businesses prescribed in these Delivery Rules.

The standard warrant business participants such as the Exchange, Members, OSPs, Overseas Intermediaries, Clients and Designated Delivery Storage Facilities shall use the Exchange's Standard Warrant Management System for all businesses related to standard warrants.

**Article 101** A Member, an OSP or an Overseas Intermediary shall appoint designated personnel to conduct delivery, clearing and settlement, and other standard warrant businesses through the Standard Warrant Management System.

**Article 102** A standard warrant business participant shall submit application materials through the Standard Warrant Management System and open a standard warrant account before holding standard warrants and engaging in the standard warrant businesses. The materials for account opening shall be authentic, complete and valid.

The standard warrant account follows the trading code system; i.e. each standard warrant business participant shall have one exclusive standard warrant account.

A Member, an OSBP and an Overseas Intermediary shall assist its Clients in opening standard warrant accounts and be responsible for verifying the authenticity, completeness and validity of the provided materials.

The opening procedures of standard warrant account and the operation details of the Standard Warrant Management System shall be prescribed by the Exchange separately in accordance with these Delivery Rules.

**Article 103** Once a standard warrant is created in the Standard Warrant Management System, it will exist electronically and include the following items:

1. The (full) name of owner;
2. The product name, quantity and quality of the commodities;
3. The storage venues;
4. The storage fees;
5. The amount and period of insurance, and the name of the insurer, if the stored commodities are insured;
6. The issuer of the warrant and the date of issuance;
7. Other information the standard warrants shall record.

**Article 104** A standard warrant may be used for physical delivery, margin collateral, pledge, transfer, taking delivery and other purposes prescribed by the Exchange.

**Article 105** Procedures of creating a warehouse standard warrant include load-in application, review and approval of the load-in application,

commodity load-in, inspection and acceptance, review and approval of warrant issuance application, warrant issuance by the warehouse, final confirmation, etc.; the procedures of creating a factory standard warrant include submission of the issuance application, verification by the Exchange, issuance by the factory, final confirmation, etc.

The procedures regarding warehouse standard warrants such as load-in application, review and approval of load-in application, commodity load-in, inspection and acceptance, review and approval of the warrant issuance application, warrant issuance by the warehouse, etc. shall follow the provisions in Chapter 4 of these Delivery Rules. The procedures regarding factory standard warrants such as the submission of the issuance application, verification by the Exchange, issuance by the factory, etc. shall follow the provisions in Chapter 5 of these Delivery Rules.

**Article 106** An owner shall conduct final confirmation of the standard warrants created by the Designated Delivery Storage Facilities. If the owner does not check and confirm the standard warrants within three (3) days after receiving the notice of inspection and acceptance for the standard warrants, it is deemed that the final confirmation has been made and the standard warrants shall enter into force automatically.

**Article 107** The valid periods of standard warrants shall be prescribed by the Exchange based on the different features of futures commodities. The expired standard warrants shall not be used for futures delivery, and the

underlying products will be automatically converted to spot products. The valid periods for the standard warrants shall follow the specific provisions regarding the listed futures contract in these Delivery Rules.

**Article 108** A Member shall directly apply to the Exchange for using standard warrants as margin collaterals.

Procedures for a Clearing Delivery Principal to authorize a Member to use standard warrants as margin collaterals are as follows:

1. The Clearing Delivery Principal shall authorize the Member to use the designated standard warrant as the Members' own margin collateral.

2. The Member shall select the standard warrants authorized by the Clearing Delivery Principal and submit them to the Exchange. When the Member submits the standard warrants, it shall indicate whether the standard warrants shall be used as margin collateral, or as the performance bonds for the positions of the futures contract of the same product and quantity as indicated on the warrant.

3. Only after the Exchange's verification and approval may the standard warrants be used as margin collateral.

When a Client of OSBPs or Overseas Intermediaries deposits the standard warrants to the Exchange to serve as margin collateral, he/she shall authorize his/her OSBPs or Overseas Intermediaries to complete relevant procedures.

**Article 109** In case the Clearing Delivery Principal authorize the Member to use the standard warrants as margin collateral, the Member may apply to the Exchange to redeem the standard warrants after its required margin is fully paid.

If a dispute over the redemption of the standard warrants arises between the Member, OSBP, Overseas Intermediary and its Client, the Exchange may reassign the corresponding standard warrants to the standard warrant accounts as provided in the agreement entered into by the Member, OSBP, Overseas Intermediary and its Client, or resort to legal documents that have entered into force.

**Article 110** A Member shall directly apply to the Exchange to redeem the standard warrants which are served as margin collaterals.

Procedures for a Clearing Delivery Principal to redeem the standard warrants which are served as margin collaterals are as follows:

1. The Clearing Delivery Principals shall submit an application.
2. After the Member receives the application, it shall timely submit the application to the Exchange to redeem the standard warrants.
3. The Exchange shall verify the application. After the Exchange approves the application, it shall return the corresponding standard warrants to the Member.



4. The Member shall timely return the corresponding standard warrants to the Clearing Delivery Principal; if the Member fails to return the warrants in time, it shall report the reasons to the Exchange.

When a Client of an OSBP or Overseas Intermediary redeems the standard warrants which are served as margin collaterals, he/she shall authorize his/her OSBP or Overseas Intermediary to complete relevant procedures.

**Article 111** Other matters related to the standard warrants served as margin collaterals shall follow the relevant provisions of the *Clearing Rules of the Shanghai International Energy Exchange*.

**Article 112** The use of a standard warrant as pledge allows the pledger (the debtor or the third person) to place the standard warrant in the possession of the pledgee (the creditor) to guarantee the performance of its obligation. In the event the debtor fails to perform its obligations or the stipulated conditions for enforcing the pledge occur, the pledgee has the right to be paid in priority at a price equivalent to the value of the standard warrant, or out of the proceeds of auction or sale of the standard warrant in accordance with laws or agreements.

**Article 113** The pledger shall indicate the information of the standard warrants to be used as pledge in the pledge agreement that it enters into with the pledgee, and provide a duplicate copy of the pledge agreement to the Designated Delivery Storage Facility for record.

**Article 114** The pledge registration procedure of the standard warrants in the Standard Warrant Management System is as follows:

1. If the pledger uses the standard warrants for pledge, it shall submit a pledge registration application to the Designated Delivery Storage Facilities via the Standard Warrant Management System.

2. The Designated Delivery Storage Facilities verify the pledge registration application according to the duplicate copy of the pledge agreement.

3. The pledgee confirms the standard warrants submitted for pledge registration via the Standard Warrant Management System.

4. The Designated Delivery Storage Facilities shall register and manage the pledged standard warrants, and shall not perform physical delivery, transfer, taking delivery, etc.

If the bonded standard warrant is to be pledged, the filing procedure shall be conducted with the competent customs authority in advance.

**Article 115** The Designated Delivery Storage Facilities shall register and manage the standard warrants used as pledge, and safely keep the warranted commodities.

**Article 116** The procedure of discharging a standard warrant as pledge is as follows:

1. The pledgee shall submit a discharge application to the Designated Delivery Storage Facility via the Standard Warrant Management System to discharge a standard warrant.

2. The Designated Delivery Storage Facility verifies the discharge application.

3. The pledger confirms the standard warrant submitted for the discharge via the Standard Warrant Management System.

If the bonded standard warrant is to be discharged, the filing procedure shall be conducted with the competent customs authority in advance.

**Article 117** The Designated Delivery Storage Facility shall provide the pledger and the pledgee the standard warrant pledge checklist and the standard warrant discharge checklist with its signature and corporate seal.

**Article 118** The standard warrants may be transferred off the Exchange and settled either between a buyer and a seller, or via the Exchange. If the settlement is via the Exchange the Exchange will charge delivery fees based on the fee standards.

**Article 119** The procedure of transferring standard warrants settled between a buyer and a seller is as follows:

1. The seller inputs the name of the products, names of the Designated Delivery Storage Facilities, trading code and name of the buyer, the details of the corresponding standard warrants and other relevant information into the

Standard Warrant Management System, and then submits the application for transfer.

2. The buyer confirms the application for transfer via the Standard Warrant Management System.

3. The Designated Delivery Storage Facilities verify the application for transfer.

4. The buyer makes the payment as bilaterally agreed.

5. Upon receiving the payment, the seller releases the standard warrants to the buyers' standard warrant accounts.

**Article 120** The procedure of transferring standard warrants settled by the Members via the Exchange is as follows:

1. The seller inputs the name of products, names of the Designated Delivery Storage Facilities, trading code and name of the buyer, transfer price, the details of the corresponding standard warrants and other relevant information into the Standard Warrant Management System, and then submits the application for transfer.

2. The buyer confirms the application for transfer via the Standard Warrant Management System, and deposits the payment into the Member's dedicated margin account.

3. The Designated Delivery Storage Facilities verify the application of transfer and notify the buyer, the seller and the Exchange thereof.

4. The Exchange prints the settlement statements for transferring the standard warrants, and collects and remits the payment.

5. The Exchange releases the standard warrants, and transfer the corresponding standard warrants to the buyer's standard warrant account.

A Clearing Delivery Principal shall conduct the transfer of standard warrants settled via the Exchange through the Member according to the preceding paragraph.

When a Client of an OSBP or Overseas Intermediary transfers the standard warrants settled via the Exchange, he/she shall authorize the OSBP or Overseas Intermediary to complete relevant procedures.

The Exchange shall complete the transfer procedures by the end of the day if the application for transferring the standard warrants is submitted before 14:00 of the day. The Exchange shall complete the transfer procedures on the next trading day if the application for transferring the standard warrants is submitted after 14:00 of the day.

**Article 121** If an owner needs to modify any data within the permissible range of the Exchange, such as the storage venues of standard warrants, it shall submit a modification application the standard warrants via the Standard Warrant Management System. The data will be modified upon the verification by the Designated Delivery Storage Facilities and the Exchange.

**Article 122** If a Designated Delivery Storage Facility needs to change the storage venue for the underlying commodities of the standard warrants, it shall apply to the Exchange in advance. The Exchange shall respond to the application within ten (10) trading days. The Designated Delivery Storage Facility shall notify the owner after the change is completed, and timely modify the venue data of the corresponding standard warrants in the Standard Warrant Management System.

**Article 123** For the futures commodities subject to valid quality inspection period, when the quality inspection report for the corresponding commodities of standard warrants expires, the owners shall have the commodities re-inspected, and apply to the Exchange for changing the quality inspection report. After the Exchange verifies the revised quality inspection report, the Designated Delivery Storage Facilities shall change the corresponding quality inspection report and the quality inspection date as shown in the Standard Warrant Management System.

**Article 124** In the event that a dispute regarding standard warrants arises between the standard warrant business participants, such as a dispute over the ownership of the standard warrants, the Exchange may, either at the request of the interested parties or at its sole discretion, freeze the corresponding standard warrants until the dispute is resolved.

**Article 125** An applicant for freezing or unfreezing the standard warrants shall have valid legal documents and other supporting materials.

Once the Designated Delivery Storage Facility verifies the application, it may freeze or unfreeze the standard warrants through the Standard Warrant Management System.

The Designated Delivery Storage Facility shall notify and report to the Exchange for the freezing and unfreezing of standard warrants.

During the freezing period of the standard warrants, the Designated Delivery Storage Facility shall take good care of the relevant commodities. After the standard warrant is unfrozen, the Designated Delivery Storage Facility shall dispose of relevant commodities pursuant to valid legal documents.

**Article 126** The revocation of standard warrants refers to the process when the owners have objections against the data of the standard warrants issued by the Designated Delivery Storage Facilities that have entered into force, except for the data that the Exchange allows to be adjusted such as the storage venues and the quality inspection dates, the owners shall submit an application for revoking the standard warrants, and the standard warrants will be cancelled after being verified by the Designated Delivery Storage Facilities and the Exchange.

If the revoked standard warrants need to be renewed as a corresponding new standard warrant, a new load-in application shall be conducted with the Exchange.

**Article 127** The load-out of standard warrants refers to the process where the legal holders of the standard warrants apply to the Designated Delivery Storage Facilities via the Standard Warrant Management System for taking delivery or for converting the standard warrants into physical delivery order, and the Designated Delivery Storage Facilities complete the above process. The standard warrants shall be cancelled upon the completion of load-out.

**Article 128** When a legal holder of standard warrants takes delivery, he/she shall submit a load-out application of standard warrants to the Designated Delivery Storage Facility. After the Designated Delivery Storage Facility verifies the application, its shipping department shall deliver the commodities according to the load-out checklist of standard warrants and the relevant documents and certificates.

**Article 129** A legal holder of standard warrants shall indicate the ways of taking delivery in the load-out application.

1. If the owner takes delivery at a storage facility in person, the Designated Delivery Storage Facility shall release the commodities after verifying the standard warrant. The owner shall supervise the delivery at the storage facilities. Otherwise, it shall be deemed that the owner has confirmed the delivery by the Designated Delivery Storage Facility.

2. If another party is authorized to take delivery, the owner shall submit a power of attorney, and indicate the authorized person, password for taking the



delivery, the contact persons and telephone numbers in the load-out application. The Designated Delivery Storage Facility shall release the commodities after verifying the standard warrant. The authorized person shall supervise the delivery at the storage facility. Otherwise, it shall be deemed that the owner has confirmed the delivery by the Designated Delivery Storage Facility.

3. If the owner authorizes the Designated Delivery Storage Facility to take delivery and dispatch commodities, the owner shall submit a power of attorney, and indicate the shipping address, the contact persons and telephone numbers in the load-out application. The Designated Delivery Storage Facility shall release the commodities after verifying the standard warrant. It shall be deemed that the owner has confirmed the delivery by the Designated Delivery Storage Facility.

**Article 130** At the time of commodity load-out, the Designated Delivery Storage Facility shall timely fill in the *Load-out Confirmation Form for Standard Warrant*, which shall be signed and confirmed by the persons who take the delivery, and keep it safe for further examinations.

## **Chapter 9 Management of Commodity Registration**

**Article 131** The Exchange may implement commodity registration management on the delivery commodities. If a futures contract of the listed

products is subject to commodity registration management, the commodities used for the physical delivery shall be approved for registration by the Exchange. The registered commodities approved by the Exchange for exemption from inspection may be exempted from quality inspection at the delivery.

**Article 132** The delivery commodities for the commodity registration application shall meet the following requirements. The specific requirements are separately prescribed in the provisions regarding the listed futures contract in these Delivery Rules.

1. An enterprise that applies for commodity registration shall be a domestic or foreign manufacturer of the relevant commodities and comply with the following requirements:

(1) The enterprise shall meet the Exchange's requirements for production capacity and outputs, and have been operating continuously and smoothly for no less than two (2) years;

(2) The enterprise has considerable popularity and reputation and holds relevant certificates for quality, environmental management, security, etc.;

(3) Its production process satisfies the relevant domestic and foreign industry standards.

2. The commodities applied for registration shall meet the following requirements:

(1) The quality standard shall meet the national standards and the Exchange's technical requirements;

(2) The commodities are widely used for the last three (3) years in the relevant fields;

(3) The commodities the enterprises apply for registration shall have a considerable share in the physical market, and have considerable popularity in the industry.

3. The commodities are recommended by more than one (1) Member or OSP of the Exchange.

4. Other requirements prescribed by the Exchange.

**Article 133** The following materials shall be provided for commodity registration:

1. An application letter for registration and an undertaking letter that both have been signed with validity;

2. The documents proving the establishment of the company, including the business license, organization code certificate, tax registration certificate, business registration certificate, etc.;

3. The corporate shareholders and ownership structure, the corporate structure and its branches;

4. The commodity registration forms;

5. The documents proving the quality of the commodities;

6. The accreditation documents for quality, environment, security, etc.;

7. The documents proving the major production equipment and facilities of the enterprise meet the requirements;

8. The latest audited annual financial report;

9. The recommendation letters for the commodity registration from more than one (1) Members or OSPs of the Exchange. The recommenders shall be responsible for the accuracy and completeness of the application materials, as well as the qualification, credit, production capacity, etc. of the applicant;

10. Other documents required by the Exchange.

If the commodities for registration have registered trademarks, the certificates of trademark registration shall also be provided.

**Article 134** The procedure of registration is as follows:

1. Pre-review

The Exchange pre-reviews the written materials provided by the enterprises applying for commodity registration. The applicants shall pass the pre-review in order to enter the next stage of registration.

2. Quality supervision and inspection

The Exchange shall designate inspection agencies and relevant personnel to conduct the quality supervision and inspection on the domestic and foreign commodities according to the relevant provisions of the State and the Exchange.

3. Approval of registration

The Exchange shall determine whether to approve the commodity registration based on the application materials, the quality supervision and inspection of the commodities, etc. If the registration is approved, the Exchange shall publicly announce the registration.

**Article 135** The applicants for the commodity registration shall pay the following fees:

1. The commodity registration fee for each brand is RMB one hundred thousand (¥100,000);
2. The commodity inspection fee for each manufacturer is RMB fifty thousand (¥50,000).

The Exchange may adjust the relevant fee standards based on the actual situations. The registration fee shall be paid before the approval of registration.

**Article 136** The Exchange performs routine checks and annual inspections over the registered commodities ~~to ensure the quality of the delivery commodities.~~

1. The Exchange selectively conducts quality checks at any time over the delivery commodities stored in each Designated Delivery Storage Facility.
2. The Exchange authorizes the Designated Inspection Agencies to conduct an annual **quality** inspection over the **selected** registered commodities. ~~The manufacturers of the~~ **Before the end of the first quarter each year, each enterprise with** registered commodities shall provide the annual inspection

reports of the enterprises ~~in the previous year~~ to the Exchange ~~before the end of each year~~, covering ~~theits~~ continuous operations ~~of the enterprises~~, the major changes in production and operations, and other information.

The fees for the routine checks and annual inspections shall be ~~paidborne~~ by the ~~manufacturers of the registered commodities~~.~~Exchange~~. The Exchange may issue the notice for rectification to the ~~manufacturers of the enterprises with~~ registered commodities according to the results of the routine checks and annual inspections.

**Article 137** Enterprises with registered commodities shall submit an application to the Exchange to give up its registration qualification, and the application shall be reviewed and approved by the Exchange.

If any of the following circumstances occurs to the registered commodities, the Exchange may suspend or revoke the registration:

1. Division, merger, change of name, or change of organizational structure of the manufacturers of the registered commodities;
2. Transfer of the registered trademark of the commodity;
3. Dissolution or bankruptcy of the manufacturers of the registered commodities;
4. The quality of the registered commodities still fails to meet standards after the rectification, in case the registered commodities fail the routine checks or annual inspections,;

5. More than two cases of complaints in the last year about the failure to pass inspections which have been verified by the Exchange;

6. The manufacturer poorly performs in production and operation, or its annual outputs do not meet the requirements prescribed by these Delivery Rules, and no explanation has been made to the Exchange;

7. The manufacturer of the registered commodities does not report the major changes in the production or operation to the Exchange according to the relevant provisions;

8. Other circumstances determined by the Exchange.

When the first or the second circumstance mentioned above occurs, the commodities shall be re-registered.

**Article 138** If any quality dispute of the delivery commodities arises during the delivery, the manufacturer of the registered commodities shall cooperate with the Exchange to properly resolve the dispute. If the quality problems of the delivery commodities are caused by the manufacturer of the registered commodities, the manufacturer shall assume the compensation liabilities.

## **Chapter 10 Delivery of Crude Oil Futures Contract**

**Article 139** The crude oil futures contract implements physical delivery. Matured crude oil futures contracts shall adopt physical delivery according to

the standard delivery procedures, while the immature crude oil futures contracts may adopt EFP delivery procedures.

**Article 140** The delivery of the crude oil futures contract implements bonded delivery, which refers to the delivery of crude oil for the futures contract in bonded status and in bonded oil tanks at the Designated Delivery Storage Facilities.

**Article 141** The delivery of the crude oil futures contract implements warehouse delivery. The specific procedures shall follow the provisions in Chapter 4 of these Delivery Rules.

**Article 142** After the market close on the eighth trading day prior to the last trading day of a crude oil futures contract, the positions in such futures contract held by a natural person as a Client that may not deliver or receive the invoices prescribed by the Exchange shall be zero (0) lot. From the seventh trading day prior to the last trading day onwards, the positions held by such Client in the delivery month shall be directly liquidated by the Exchange.

**Article 143** The delivery unit of a crude oil futures contract is one thousand (1000) barrels. The actual delivery amount shall be the integral multiple(s) of the delivery unit.

**Article 144** Delivery grades are prescribed in the *Standard Crude Oil Futures Contract of the Shanghai International Energy Exchange*. The crude oil is not subject to commodity registration.



**Article 145** The minimum load-in amount of the crude oil is two hundred thousand (200,000) barrels. The minimum load-out amount of the crude oil is two hundred thousand (200,000) barrels. If the load-out amount is less than two hundred thousand (200,000) barrels, the load-out operations may only be performed after the deficiency is supplemented by physicals, etc., unless otherwise agreed between the owners and the Designated Delivery Storage Facilities.

**Article 146** The ~~load-in~~ deposit ~~of~~for crude oil ~~load-in application~~ is RMB one point five (1.5) yuan / barrel.

**Article 147** Before submitting a load-in application, an owner shall properly coordinate with relevant agencies such as terminals, ports, pipeline companies, customs, commodity inspection agencies, etc. The owner shall submit the load-in application to the Exchange no less than thirty (30) days prior to the proposed load-in date for the crude oil to be loaded into the Designated Delivery Storage Facilities. ~~In the case where the owners submit the load-in application to the Exchange less than thirty (30) days prior to the proposed load-in date and are prepared for the load-in and no dispute is raised from Designated Delivery Storage Facilities, The Exchange may approve application according to the storage capacity and other circumstances as appropriate.~~ The valid period for crude oil load-in is five (5) days before and after the proposed load-in date for the crude oil.

**Article 148** The crude oil being loaded in shall be the crude oil that is shipped from the loading port in the country or region of origin, or **after Physical Filing and** stored in the bonded oil tanks in the Designated Delivery Storage Facilities ~~recognized by the Exchange~~, and shall not be mixed with other oil during the loading and storage. One bonded oil tank in the Designated Delivery Storage Facilities shall not contain a mixture of crude oil of different deliverable types.

**Physical Filing** in this article refers to the process where crude oil complying with relevant provision in relation to physical delivery, upon the owners' application request sent via the Standard Warrant Management System and afterwards approved by the Exchange, passes the inspection according to the standard of crude oil to be loaded in and is physically stored in the bonded oil tanks separately in the Designated Delivery Storage Facilities, with relevant data being recorded in the Standard Warrant Management System by Designated Delivery Storage Facilities as well as the approval of the Exchange.

Crude oil after **Physical Filing** which has not been created standard warrant, therefore shall not occupy the approved factory storage capacity, can be generated into standard warrant after load-in application. The owners should apply to load in crude oil after **Physical Filing** in three (3) trading days prior to the proposed load-in dates unless being approved by the Exchange.

Crude oil after Physical Filing shall not enter physical market before the owners revoke Physical Filing. Crude oil after Physical Filing shall not be applied for Physical Filing repeatedly once revoked.

**Article 149** When the bonded standard warrants are created at the time of crude oil load-in, the inspection reports issued by the Designated Inspection Agencies, bill of lading, certificate of origin, approval of load-in by the customs and other relevant documents shall be provided to the Exchange for verification.

The bonded standard warrants for crude oil are not subject to the valid period requirement.

**Article 150** The load-in and load-out operations at the Designated Delivery Storage Facilities shall not affect the quality and quantity of the loaded crude oil. Before and after the crude oil load-in or load-out operations, the Designated Delivery Storage Facilities shall ensure that the oil pipelines are either fully filled or emptied, the oil quality in the pipelines does not affect the quality of loaded or unloaded oil, and the oil in the pipelines is in full liquidity.

**Article 151** The amount of crude oil at load-in or load-out is subject to the quantity of crude oil net-volume barrels measured by the Designated Inspection Agencies based on the shore tanks of the Designated Delivery Storage Facilities. Quantity inspection shall be measured by the tank capacity gauge. If the load-out amount is below the standard of the Exchange, the

inspection agencies may choose flow meter or other measurement tools in measuring.

The formula for the quantity of crude oil net-volume barrel is:

Crude Oil Net-Volume Barrel Quantity = Crude Oil Gross-Volume Barrel Quantity × (1 – the Percentage of Basic Sediment and Water (BSW))

Crude Oil Gross-Volume Barrel Quantity = Crude Oil Total Measured Volume – Water Content Volume

**Article 152** The loss compensation at load-in or load-out of crude oil shall be made by the owners to the Designated Delivery Storage Facilities according to the following formula, and shall be settled between the owners and the Designated Delivery Storage Facilities within three (3) business days after the inspection reports are issued by the Designated Inspection Agencies:

Loss compensation at load-in = quantities of issued crude oil bonded standard warrants × 0.6‰ × (settlement price of the previous trading day prior to the load-in completion day of the first-nearby crude oil futures contract + premiums or discounts of the delivery)

Loss compensation at load-out = quantities of cancelled crude oil bonded standard warrants × 0.6‰ × (settlement price of the previous trading day prior to the load-out completion day of the first-nearby crude oil futures contract + premiums or discounts of the delivery)

**Article 153** The “overfill or underfill” during crude oil load-in is the difference between the quantity specified on the quantity certificates issued by

the Designated Inspection Agencies and the issued quantity on the bonded standard warrants. Crude oil “overfill or underfill” quantity during the load-in shall not exceed  $\pm 2\%$  of the applied quantity. Within the allowed tolerance, bonded standard warrants are created with quantity rounded into thousand barrels. The owners shall directly settle with the Designated Delivery Storage Facilities according to the following formula within three (3) business days after the inspection reports are issued by the Designated Inspection Agencies:

The payment for overfill or underfill during load-in = crude oil “overfill or underfill” quantity within tolerance  $\times$  (settlement price of the first-nearby crude oil futures contract of the previous trading day prior to load-in completion day + premiums or discounts of the delivery)

The “overfill or underfill” during crude oil load-out is the difference between the quantity specified on the quantity certificates issued by the Designated Inspection Agencies and the cancelled quantity on the bonded standard warrants. The crude oil “overfill or underfill” quantity during load-out shall not exceed  $\pm 2\%$  of the quantity on bonded standard warrants. The owner shall directly settle with the Designated Delivery Storage Facilities according to the following formula within three (3) business days after the inspection reports are issued by the Designated Inspection Agencies:

The payment for overfill and underfill during load-out = crude oil “overfill and underfill” quantity within tolerance  $\times$  (settlement price of the

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first-nearby crude oil futures contract of the previous trading day prior to load-out completion day + premiums or discounts of the delivery)

**Article 154** The final settlement price of the crude oil futures is the benchmark price for the delivery settlement of crude oil futures, and is calculated as the arithmetic mean value of the settlement prices of that contract during the last five (5) trading days with executed transactions of the futures contract. At the delivery settlement, the buyers and the sellers shall settle based on the final settlement price of the crude oil futures contract and then add premiums or discounts of the delivery.

1. The bonded final settlement price is the calculation and assessment basis of the duty-paid price after customs declaration by the holders of crude oil bonded standard warrant. The formula for the bonded final settlement price of the matured contract is:

Bonded Final Settlement Price = Final Settlement Price

2. When the bonded standard warrant is used for EFPs, the formula for the EFP bonded final settlement price is:

EFP Bonded Final Settlement Price = Settlement price of the previous trading day ~~immediately before~~ ~~prior to~~ the EFP application day of the ~~delivery month~~ ~~first-nearby~~ contract

3. When non-standard warrants are used for the EFPs ~~in certain circumstances as specified by the Exchange~~, the final settlement price shall be negotiated by both parties.

**Article 155** The formula of delivery payment with crude oil bonded standard warrant is:

Delivery Payment for Matured Contract = (Bonded Final Settlement Price + Premiums and Discounts of the Delivery) × Delivery Quantity

EFP Delivery Payment = (EFP Bonded Final Settlement Price + Premiums and Discounts of the Delivery) × Delivery Quantity

The requirements and management of the invoice for crude oil futures contract shall be announced separately by the Exchange. The circulation procedure of the invoice shall follow the provision in Chapter 2 of these Delivery Rules.

**Article 156** The buyers and sellers of the physical delivery shall pay a delivery fee of RMB zero point zero five (0.05) yuan/barrel to the Exchange respectively.

**Article 157** The delivery venues are the Designated Delivery Storage Facilities announced separately by the Exchange.

The charging items and standards of the Designated Delivery Storage Facilities shall be announced separately by the Exchange.

**Article 158** The Designated Inspection Agencies shall be announced separately by the Exchange.

**Article 159** Definitions in the crude oil futures delivery:

1. “Crude oil” in these Delivery Rules refers to the liquid hydrocarbons exploited directly from underground natural reservoirs, or a mixture of its

natural forms. The influence of volatilization of light hydrocarbons, hydrogen sulfide, mercaptan, etc. on atmospheric environment during the loading and unloading of crude oil shall conform to the local regulatory requirements.

2. “Water Content” means the free water, which is separated from the oil layer and generally stays below the oil layer.

3. “Basic Sediment and Water” means the suspended sediments, dissolved water and suspended water in the oil. The water and sediments shall be identified respectively according to ASTM D4006 and ASTM D473. The amount of basic sediment and water is the sum of the two and shall be generally shown in percentage.

## **Chapter 11 Delivery of TSR 20 Futures Contract**

**Article 160** The TSR 20 futures contract adopts physical delivery, bonded delivery and warehouse delivery.

**Article 161** The delivery unit of a TSR 20 futures contract is ten (10) metric tons. Delivery shall be made in the integral multiple(s) of the delivery unit.

**Article 162** Deliverable grades for TSR 20 shall not be produced through pre-breaker and are specified in *the TSR 20 Futures Contract of the Shanghai International Energy Exchange*.

**Article 163** The TSR 20 for delivery is subject to commodity registration.



**Article 164** An application for the registration of TSR 20 for delivery shall meet the following requirements:

1. The applicant shall be a TSR 20 manufacturer meeting the following criteria:

(1) it has an annual TSR 20 production capacity of fifty thousand (50,000) metric tons, and a TSR 20 output of no less than thirty thousand (30,000) metric tons over the most recent two (2) years; any of its processing factories has a sizable market; and it has had continuous and stable output for no less than two (2) years;

(2) it has fairly good recognition and reputation;

(3) for quality management: it has passed the ISO 9001 certification for quality management system;

(4) for environment and safety management: it has passed the ISO 14001 certification for environmental management system or is otherwise compliant with the local requirements regarding environmental and safety management; and

(5) its manufacturing process complies with the industry polices of the jurisdiction where it operates.

The Exchange may adjust the annual production output and other metrics for the commodity concerned in view of market conditions.

2. The commodity under application shall meet the following criteria:

(1) its quality standard complies with the specifications of the Exchange;  
and

(2) it has a considerable market share in the physical market and a sound degree of recognition in the industry.

3. The commodity is recommended by one (1) or more Members or OSPs of the Exchange.

4. The application shall meet the other requirements prescribed by the Exchange.

**Article 165** In addition to the materials specified in Article 133 of these Delivery Rules, the following materials shall be provided for the registration of TSR 20 for delivery:

1. the latest quality test report issued by an authoritative quality inspection institution;

2. the internal quality analysis reports of the applicant over the most recent three (3) months;

3. the manufacturing process flow chart (if two or more processes are adopted, flow charts shall be provided for each);

4. several color photographs showing the appearance, identifiers, and packaging of the commodity, together with an indication of the shape, dimension, and weight of each bale; the packaging method; packaging materials and their specifications; and the location of trademarks or identifiers;

5. several color photographs showing the main production equipment, facilities, and plants (if there are two or more production sites, pictures shall be provided for each);

6. the certificate of incorporation, shareholders-related documents, and business operations overview and reports of its subordinate processing factory; and

7. recent usage report for the commodity from two (2) or more domestic or foreign enterprises.

**Article 166** Designated Delivery Storage Facilities for TSR 20 shall be managed in accordance with Chapter 7 of these Delivery Rules excluding the provisions of Articles 68.7, 69.2, 69.4, 79.8, 87, and 91 thereunder regarding such matters as terminal facilities, ports, pipelines, measuring instruments, qualification requirements of metrology personnel and transport losses which are not applicable to the Designated Delivery Storage Facilities for TSR 20. The provisions on load-out under Article 85 of these Delivery Rules are not applicable to the Designated Delivery Storage Facilities for TSR 20.

**Article 167** At the time of load-in and creation of standard warrant for TSR 20, the owner shall submit the inspection report issued by the relevant Designated Inspection Agency, bill of lading, certificate of origin, approval of load-in issued by the customs, and other relevant documents to the Exchange for verification.

At the time of load-in and creation of standard warrant for TSR 20, the owner shall additionally deliver the phytosanitary certificate, the certificate of accreditation of the testing laboratory as well as their Chinese translations and the quality inspection report to the Designated Delivery Storage Facility for safekeeping. The Designated Delivery Storage Facility shall keep such documents secure and provide them to the owner during import customs clearance; the owner shall return such documents to the Designated Delivery Storage Facility following the completion of import customs clearance and, if it is the last shipment, submit them to the customs as required.

**Article 168** Each standard warrant for TSR 20 shall represent ten (10) metric tons in name, and shall be in the same registered brand, manufacturer (factory), and packaging specification.

**Article 169** Each TSR 20 bale shall have a net weight of 35 kg and be wrapped in a 30-65 µm-thick polyethylene film with a vicat softening temperature of less than 95 °C.

One pallet of TSR 20 shall comprise thirty-six (36) bales and be packaged according to relevant pallet wrapping standards. The pallet shall be readily loaded onto or unloaded from racks and stacked. Each pallet shall indicate the grade number, net weight, manufacturer name, factory code, and manufacturing date of the rubber it holds and other pertinent information.

Any loaded-in TSR 20 shall be dry and clean. A Designated Delivery Storage Facility shall not issue standard warrants for any TSR 20 that is found

at time of acceptance to have serious packaging damage or a performance defect such as surface aging or cracking, exposure to rain or moisture, mold, undercooked or serious contamination.

**Article 170** The range of manufacturing dates of TSR 20 underlying each standard warrant shall not exceed thirty (30) days, the earliest of which shall be taken as the manufacturing date for the standard warrant. A standard warrant for TSR 20 is valid for twelve (12) months from the manufacturing date.

Any TSR 20 for physical delivery shall be loaded in within ninety (90) days of the date of manufacturing, after which no standard warrant shall be issued for such TSR 20.

An inspection report of TSR 20 loaded in for generating standard warrants is valid for one hundred and eighty (180) days following issuance, and the inspection report for stored commodities is valid for ninety (90) days following issuance. After the valid date, the corresponding commodity shall be re-inspected and delivered only after passing the new inspection. The holder of the bonded standard warrant shall be solely liable for the quality of the loaded-in TSR 20 if it fails the new inspection, unless the Designated Delivery Storage Facility is liable.

**Article 171** The load-in inspection of TSR 20 shall be conducted in accordance with the TSR 20 (Futures) Inspection Rules.

Designated Delivery Storage Facilities shall cooperate with Designated Inspection Agencies in their inspections and shall verify the quantity and quantity of TSR 20 for load-in and out.

The quality inspection report issued by the relevant Designated Inspection Agency shall be conclusive as to the result of a quality inspection. A standard warrant may be created only if the findings of the quality inspection report conform to the quality standards of the Exchange for the delivery commodity. The relevant provisions of Article 38, paragraphs 2 and 3 of Article 39, Article 40.1 (“The Load-In Quality Inspection”), and paragraph 3 of Article 44 of these Delivery Rules are not applicable to TSR 20.

**Article 172** An owner shall ship its commodities to the approved Designated Delivery Storage Facility within thirty (30) days of the approval of its load-in application by the Exchange.

**Article 173** Any buyer who questions the quality or quantity of the delivered commodities following completion of physical delivery (the delivered TSR 20 under dispute shall be currently stored in the Designated Delivery Storage Facility) shall submit a written application to the Exchange no later than the fifteenth (15th) day (or the following trading day if it falls on a national holiday or weekend in China) of the month following the month of physical delivery, accompanied by the quality inspection report issued by the Designated Inspection Agency. If such application is not submitted before the

date specified above, the buyer will be deemed to have accepted the delivered commodities and the Exchange will no longer accept any challenges with respect thereto.

**Article 174** The final settlement price of TSR 20 futures shall serve as the benchmark price for the delivery settlement of TSR 20 futures, and is calculated as the volume-weighted average of the executed prices of that contract during the last five (5) trading days that the contract has been traded. At delivery settlement, the buyer and the seller shall settle based on such final settlement price as adjusted by the premiums or discounts of the delivery.

1. The bonded final settlement price shall be the basis for calculating and assessing the dutiable value of TSR 20 at customs declaration by the holder of a TSR 20 bonded standard warrant. The formula for the bonded final settlement price of an expired contract is:

Bonded Final Settlement Price = Final Settlement Price.

2. When a bonded standard warrant is used in an EFP, the formula for the EFP bonded final settlement price is:

EFP Bonded Final Settlement Price = Settlement price of the previous trading day prior to the EFP application day of the first-nearby contract.

3. When non-standard warrants are used in an EFP, the final settlement price shall be as negotiated by the trading parties.

**Article 175** The formula for the delivery payment for a TSR 20 bonded standard warrant is:

Delivery Payment for Expired Contract = (Bonded Final Settlement Price + Premiums and Discounts of the Delivery) × Delivery Quantity;

EFP Delivery Payment = (EFP Bonded Final Settlement Price + Premiums and Discounts of the Delivery) × Delivery Quantity.

During final settlement, each bonded standard warrant shall represent ten point zero eight (10.08) metric tons of the delivery commodity.

The requirements and management of the tax invoices for TSR 20 futures contract shall be separately announced by the Exchange. Such tax invoices shall be circulated by the procedures under Chapter 2 of these Delivery Rules.

**Article 176** The buyer and the seller in a physical delivery shall each pay a delivery fee of RMB four (4) yuan/ton to the Exchange. The Exchange will charge delivery fees based on each standard warrant by weight in name.

**Article 177** The delivery venues shall be the Designated Delivery Storage Facilities separately announced by the Exchange.

## Chapter ~~11~~ 12 Miscellaneous

**Article ~~160~~178** The buyers and sellers in these Delivery Rules include Members, OSPs, Overseas Intermediaries or Clients. The owners in these Delivery Rules mean the persons who have the legal ownership of the commodities.



**Article 161179** All written materials submitted to the Exchange by the relevant entities prescribed by these Delivery Rules shall have Chinese versions and the Chinese versions shall prevail, unless otherwise recognized by the Exchange.

**Article 162180** Any matters not provided in these Delivery Rules shall be governed by the Articles of Association, the General Exchange Rules and other implementing rules of the Shanghai International Energy Exchange.

**Article 163181** The Exchange reserves the right to interpret these Delivery Rules.

**Article 164182** These Delivery Rules are effective as of ~~May 11<sup>th</sup>, 2017~~ August 2<sup>nd</sup>, 2019.