**Guidelines on Take-Delivery of Low Sulfur Fuel Oil Futures Overseas of the Shanghai International Energy Exchange**

(Implemented since Dec, 14th, 2020.)

**Chapter 1 General Provisions**

**Article 1** These *Guidelines* are formulated in accordance with the *Delivery Rules of the Shanghai International Energy Exchange* and *Group Delivery Rules of the Shanghai International Energy Exchange* to guide the overseas take-delivery of low sulfur fuel oil (“LSFO”) futures listed on the Shanghai International Energy Exchange (the “Exchange”) and promote cooperation efficiency among market participants.

**Article 2** The group delivery centers for LSFO futures as well as warehouses and factories (“Domestic Delivery Storage Facilities”) in the group and overseas commodity storage facilities (“Overseas Commodity Storage Facilities”) shall act in good faith in providing overseas take-delivery services.

**Article 3** If a holder of factory standard warrants of LSFO futures has the intention and qualifications for overseas take-delivery, then upon agreement, he/she may take delivery of the commodities overseas via the group commodity business provided by the group that the factory belongs to.

**Chapter 2 Overseas Take-Delivery Procedures**

**Article 4** The overseas take-delivery procedures comprise domestic part and overseas part. The former includes, among others, submitting an application for take-delivery overseas, agreeing on take-delivery overseas, transferring factory standard warrants, and making and receiving commodity payment for the transfer. The latter includes, among others, paying performance guarantee for take-delivery overseas, signing overseas sale and purchase contract, take-delivery overseas, acceptance inspection of quality and quantity, verifying documents, and making commodity payment.

**Article 5** Submitting an application for take-delivery overseas

A holder of factory standard warrants shall negotiate with the designated contact person that represents the Overseas Commodity Storage Facility about the premiums or discounts for take-delivery overseas, based on the benchmark premiums and discounts of LSFO futures contracts for the next fifteen (15) to thirty (30) days announced by the Group Delivery Center on the Exchange’s website by 4:30 p.m. on each trading day. The holder shall then apply for take-delivery overseas through the Standard Warrant Management System before 10:00 a.m. on a trading day (“Application Day”), i.e., applying for transferring corresponding number of factory standard warrants to the Domestic Delivery Storage Facility and for taking the underlying commodities overseas. The application shall contain such information as the product, quantity, price, proposed take-delivery date, overseas take-delivery location, take-delivery method, name of the delivery taker, contact person, and contact number, etc. The holder of factory standard warrants shall submit the application through the Standard Warrant Management System before 10:00 a.m. on each trading day (the date of submission is deemed as the Application Date)

**Article 6** Paying performance guarantee for taking delivery overseas

The holder of factory standard warrants shall, as agreed, pay 20% of the commodity payment to the Overseas Commodity Storage Facility as performance guarantee before 11:00 a.m. on the first trading day following the Application Day if the application is submitted between 4：30 p.m. and 12 p.m. (or before 11:00 a.m. on the Application Day if the application is submitted between 0:00 a.m. and 10:00 a.m.).

The performance guarantee shall be calculated using the formula below:

Performance guarantee **=** proposed take-delivery quantity **×** (settlement price of the nearest-month LSFO futures contract of the Exchange on the trading day before the Application Day **+** premiums or discounts of taking delivery overseas) **×** 20% **×** exchange rate

The holder of factory standard warrants may negotiate with the Overseas Commodity Storage Facility about other means of guarantee; upon agreement, the performance guarantee provided in this article may be exempted.

**Article 7** Agreeing on taking delivery overseas

When the Overseas Commodity Storage Facility receives the performance guarantee, the Domestic Delivery Storage Facility shall review and approve the application through the Standard Warrant Management System before 2:00 p.m. of the current day. Upon such approval, it will be deemed that the Domestic Delivery Storage Facility agrees to accept the factory standard warrants and the Overseas Commodity Storage Facility agrees to approve the application.

The period for taking delivery overseas is from two (2) days before the proposed take-delivery date to two (2) days after that and the minimum take-delivery quantity is five thousand (5,000) metric tons, unless otherwise agreed between the holder of factory standard warrants and the Overseas Commodity Storage Facility. An Overseas Commodity Storage Facility may negotiate with a holder of factory standard warrants to change the proposed take-delivery date. If more than one holder of factory standard warrants applies to take delivery on the same proposed date, the Overseas Commodity Storage Facility shall make an overall arrangement considering the chronological order of the receipt of applications.

**Article 8** Transferring factory standard warrants

After completing the procedures described above, the holder of factory standard warrants and the Domestic Delivery Storage Facility will automatically reach an agreement on transferring the factory standard warrants.

**Article 9 Receiving and** making commodity payment for the transfer

(1) The transfer of factory standard warrants will be settled by the Member via the Exchange. After reviewing and approving an application for taking delivery overseas, the Domestic Delivery Storage Facility will inform the Exchange and conduct settlement pursuant to the applicable provisions on the settlement of physical delivery.

(2) Unless otherwise prescribed by the Exchange, the benchmark price for the transfer of factory standard warrants is the settlement price of the nearest month LSFO futures contract of the Exchange on the trading day before the Application Day.

(3) The Exchange receives and makes the commodity payment.

(4) If the Domestic Delivery Storage Facility reviews and agrees an application for taking delivery overseas before 2:00 p.m. of each trading day, the Exchange will complete the transfer of factory standard warrants on the same day; if the Domestic Delivery Storage Facility reviews and agrees an application after 2:00 p.m. of each trading day, the Exchange will complete the transfer on the next trading day.

(5) Tax invoices shall be submitted by reference to the tax invoice circulation procedures in standard delivery as provided in the *Delivery Rules of the Shanghai International Energy Exchange* and applicable provisions of the *Settlement Rules of the Shanghai International Energy Exchange*.

**Article 10** Signing overseas sale and purchase contract

(1) If the Domestic Delivery Storage Facility reviews and agrees the application for taking delivery overseas, the original holder of factory standard warrants (“Buyer”) and the Overseas Commodity Storage Facility will be deemed to have automatically agreed on a transaction. The Overseas Commodity Storage Facility and the Buyer shall sign an overseas sale and purchase contract.

(2) The quantity of commodities under the overseas purchase contract shall equal the quantity specified in the application for taking delivery overseas. The Overseas Commodity Storage Facility and the Buyer may negotiate to adjust the quality standards.

(3) The overseas purchase contract shall be concluded on Free on Board (FOB) terms at a price calculated based on the price of LSFO futures listed on the Exchange. The Buyer and the Overseas Commodity Storage Facility shall make settlement directly. The price of the overseas purchase contract will be calculated by the formula below:

The unit price set in the overseas sale and purchase contract **=** (settlement price of the nearest-month LSFO futures contract of the Exchange on the trading day before the Application Day **+** premiums or discounts of taking delivery overseas) **×** exchange rate

**Article 11** Taking delivery overseas

(1) The Buyer shall send to the Overseas Commodity Storage Facility a vessel plan at least seven (7) days before the take-delivery date, specifying, among others, the vessel name, information of shipping agent, estimated time of arrival, and demurrage rate. The Buyer shall ensure that the vessel can lawfully enter the designated port at the take-delivery location and meet applicable loading requirements.

(2) The Overseas Commodity Storage Facility shall timely confirm the vessel plan received. The submission of vessel plan, time of loading and uploading, and the calculation of demurrage rate shall be agreed in the overseas purchase contract.

(3) The Buyer may take delivery at the storage facility, authorize a third-party to take delivery, or authorize the Overseas Commodity Storage Facility to take delivery and ship the commodities.

**Article 12 Acceptance inspection of** quality and quantity

While taking delivery of commodities that are subject to an inspection according to the agreement, the Buyer shall, at its own cost, engage an associate of the Exchange’s Designated Inspection Agencies of LSFO futures or an approved agency at the overseas take-delivery location to inspect the quality and quantity of the commodities. The inspection shall use such indicators and methods as provided in the *Low-Sulfur Fuel Oil (Futures) Inspection Rules of the Shanghai International Energy Exchange*, unless otherwise prescribed in the overseas purchase contract or other mandatory local rules.

The quality and quantity shown on the inspection report constitute the basis of acceptance. The quantity shall be measured by the shore tanks, and the quality inspection shall be conducted on samples taken from the shore tanks of the storage facility. Samples shall be divided into Sample A (used for testing), and Sample B(sealed and preserved).

**Article 13** Settling overfill or underfill

The take-delivery overfill or underfill shall be agreed in the overseas sale and purchase contract:

Payment for take-delivery overfill or underfill = overfill or underfill quantity that actually arises during loading and falls within the tolerance of the overseas purchase contract × (settlement price of the nearest month LSFO futures contract of the Exchange on the trading day before the Application Day + premiums or discounts of taking delivery overseas) × exchange rate

**Article 14** Verifying documents and making commodity payment

The Overseas Commodity Storage Facility shall provide the Buyer with related documents including the tax invoice, bill of lading, certificate of quality, certificate of quantity, and other documents required in the overseas purchase contract.

When the Buyer receives and verifies all documents, the Buyer shall pay the commodity payment to the Overseas Commodity Storage Facility as per the payment conditions and methods agreed in the overseas purchase contract.

**Article 15** The transfer of commodities’ ownership and risk

Unless otherwise prescribed in the overseas purchase contract, the ownership and risk of the commodities will be transferred from the Overseas Commodity Storage Facility to the Buyer when the commodities pass the connection (flange) between the loading arm on the shore of the loading port and the pipeline of the vessel, which connection serves as a dividing point.

In the event of an accident at the loading port after the risk of the commodities is transferred, the Overseas Commodity Storage Facility shall assist the Buyer in handling the accident and claiming against the insurance company.

**Chapter 3 Miscellaneous**

**Article 16** For the purpose of these Guidelines, business days shall be the working days at the place where related businesses are conducted.

**Article 17** The overseas purchase contract and the applicable laws thereof will be negotiated by the parties thereto, and relevant business may be conducted by reference to these *Guidelines*. Any dispute arising from any overseas business will be settled by such methods as agreed in the overseas purchase contract.

The Exchange, Members, OSBPs, and Overseas Intermediaries may assist in resolving the dispute without assuming any legal liability for the overseas business.

**Article 18** Matters not covered herein shall be governed by the *General Exchange Rules of the Shanghai International Energy Exchange*, implementing rules, and other applicable provisions of the Exchange.

**Article 19** The English version of these *Guidelines* shall be for reference only. In case of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

**Article 20** The Exchange reserves the right to interpret these *Guidelines*.