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Q&A

IRON ORE FUTURES MARKET INTERNATIONALIZATION





IRON ORE FUTURES MARKET INTERNATIONALIZATION

Q&A



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OVERVIEW CHAPTER



1. What is iron ore futures internationalization?

The iron ore futures internationalization refers to the scheme arrangement by introducing the overseas traders and overseas brokers to participate in the iron ore futures trading under the premises of keeping unchanged the currently existing domestic iron ore futures contracts and the basic schemes, to form the new structure of market participation including domestic and overseas clients, by opening up the market to the outside, so as to further the representativeness of the futures prices internationally.

2. Why to implement the iron ore futures internationalization?

Iron ore has high degree of internationalization. The introduction of overseas traders in iron ore futures may enrich and perfect the structure of domestic iron ore futures market participants and improve the international representativeness and credibility, to make it reflect the change in the supply and demand relationship in the international iron ore market more objectively and accurately, to provide the global iron ore trading participants a fairer, more just and transparent price benchmark and risk mitigation tool, and to further expand the depth and breadth in iron ore futures' serving the real economy.

3. Which overseas clients may participate in the iron ore futures market? What is the influence over domestic clients by internationalization?

The overseas traders shall satisfy the provisions of the Measures for Management of Trader Suitability of Dalian Commodity Exchange, and satisfy the requirements in knowledge test, trading experience and funds. After iron ore internationalization, there is a little change for the domestic clients: the domestic clients with newly opened accounts shall satisfy the requirements in trader suitability, and when the domestic clients participate in the bonded delivery, they must comply with the provisions for foreign exchange control over goods trading and the applicable requirements for management of added-value tax of bonded goods (that is, the method of issuing a bonded delivery tax receipt has been changed from the former issuance thereof by and to each other of the two parties of the buyer and

the seller to the issuance thereof by and to each other of the five parties of the buying and selling members and DCE in addition to the buyer and the seller).

4. What conditions shall an overseas broker satisfy to entrust a futures company member with the business of trading specified domestic futures products?

Being a financial institution legally registered and incorporated overseas, and having been recognized by the futures regulatory agency of the country (or region) where it is located to be qualified to accept the traders' funds and trading orders to carry out the futures trading on behalf of such investors; Having operated for at least one (1) year; The futures regulatory agency of the country (or region) where it is located has entered into a regulatory cooperation memorandum of understanding with CSRC; Having sound governing institutions and internal control policies, having normal and regular operations; Having the net capital no less than CNY thirty million (30,000,000.00) or an equivalent amount in foreign currency; Having the business facilities and technical systems which comply with the applicable technical norms and are in good operation condition; and other conditions prescribed by DCE.

5. What are the paths for overseas traders to participate in the domestic iron ore futures?

During the preliminary period of opening to the outside, there are two methods for overseas traders to participate in the iron ore futures: (i) to directly participate in trading through a domestic futures company; and (ii) to participate in trading through an overseas broker entrusted by a domestic futures company.

6. What are the laws, regulations and policies applicable to the iron ore futures internationalization?

To promote the futures market internationalization, the CSRC formulated the Interim Measures for Management of Trading Specified Domestic Futures Products by Overseas Traders and Brokers (CSRC Order [No. 116]) and other department regulations;

the State Administration of Foreign Exchange (SAFE) promulgated the Notice Concerning Foreign Exchange Control Regarding Specified Domestic Futures Products by Overseas Traders and Brokers (Hui Fa [2015] No. 35) to normalize the foreign exchange business related to trading specified futures products. Currently, the applicable contents of the General Rules of the Civil Law, the Contract Law, the Criminal Law and other laws normalize and regulate the futures market from different perspectives, and the Regulation on the Administration of Futures Trading promulgated by the State Council is the systematic norm over the futures market. The CSRC, as the regulatory body of the futures market, has correspondingly formulated, among other things, the Measures for Administration of Futures Exchanges, the Measures for Supervision and Management of Futures Companies. Besides, there are detailed provisions for the rights, obligations and liabilities for each of the parties to the civil or commercial disputes related to the futures trading in the two judicial interpretations of the Rules for Several Issues Concerning Trying Futures Dispute Cases of the Supreme People's Court and the Rules for Several Issues Concerning Trying Futures Dispute Cases of the Supreme People's Court (II).

7. Who are the regulatory bodies for the specified domestic futures products, and how do they divide the regulatory work?

The CSRC and its dispatched offices legally carry out supervision and administration over trading specified domestic futures products by overseas traders and brokers.

The futures exchanges carry out self-disciplinary management over trading specified domestic futures products and related business activities pursuant to the disciplinary rules.

China Futures Association carries out industrial self-disciplinary management over trading specified domestic futures products and related business activities pursuant to the self-disciplinary rules.

China Futures Market Monitoring Center Co., Ltd. (CFMMC) legally carries out examining and monitoring over trading specified domestic futures products and related business activities.

8. What information or written materials may the CSRC and its dispatched offices require the futures companies, overseas traders and overseas brokers to provide as per their regulatory duties?

The CSRC and its dispatched offices may require the futures companies, overseas traders and overseas brokers to provide the following information and/or written materials, and may carry out necessary consultation and check:

- (i) The names, nationality, valid identity certificates (numbers), contact information and related information of the ultimate beneficiaries of the accounts and all sub-accounts, the sources of funds, of overseas traders and overseas brokers;
- (ii) The names, nationality, valid identity certificates (numbers), contact information and related information of the order-placers of the accounts and all sub-accounts, the sources of funds, of overseas traders and overseas brokers;
- (iii) The particulars of allocation and use of the funds of the accounts and all sub-accounts of overseas traders and overseas brokers;
- (iv) The particulars of the trading regarding the accounts and all sub-accounts of overseas traders and overseas brokers; and
- (v) Any other materials required by the CSRC under the principle of prudent regulation.

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ACCOUNT OPENING CHAPTER



9. What are the DCE's traders' suitability requirements for domestic and overseas traders in trading specified futures products?

The Measures for Management of Suitability of Traders of Specified Domestic Futures Products of Dalian Commodity Exchange provides for knowledge test, available funds, trading experiences and other requirements for suitability for the corporate clients and individual clients. Any futures company member or overseas broker (Account-opening Institution) shall assess the Traders' knowledge levels and risk tolerance capability of futures and prudently choose the suitable traders to participate in trading specified domestic futures products.

10. What are the requirements in funds for the clients that participate in trading specified products?

The balance of the available funds is not less than CNY one hundred thousand (100,000) or equivalent foreign currency at the margin account after the daily settlement for each of the five (5) trading days prior to the client's application for the trading code or the granting of the trading authority. The balance of the available funds at the clients' margin accounts shall be calculated on the basis of the margin standards collected by the Account-opening Institutions. The balances in CNY and in foreign currency shall be added up upon calculation.

11. What are the requirements in knowledge test for the clients that participate in trading specified products?

The client shall log in China Futures Association's examination platform to sit for the online knowledge test in Chinese or English. Scoring Eighty (80) and higher out of the total one hundred (100) points in the knowledge test will be qualified. The knowledge test shall be completed solely and independently during the whole course by the individual client or the order-placer specified by the institution client other than by any other person. The Account-opening institutions shall strictly verify the clients' identity, and the relevant persons of the Account-opening Institutions and the clients shall sign on the

score sheets. A new examination will be necessitated in case of any change in the order-placer.

12. What are the requirements in trading experiences for the clients that participate in trading specified products?

Regarding domestic futures trading experiences: The client shall provide the futures trading settlement bills issued by the futures company members to certify that it has the valid trading records of the futures or option at a domestic exchange for the recent three (3) years. Regarding overseas futures trading experiences: The client shall provide the detailed futures records, the settlement bills or other certification at an overseas futures trading venue which is under regulation by the futures regulatory institution of the country (region) which has entered into a Memorandum of Understanding of Cooperation with the CSRC, to certify that it has the valid trading records of the futures or option for the recent three (3) years.

13. What are the account-opening methods for overseas traders?

Currently, there are two methods: one is direct account-opening method, that is, the client opens an account through a domestic futures company which then applies on the client's behalf for the trading code through China Futures Market Monitoring Center Co., Ltd. (CFMMC)'s uniform account-opening system. The other is sub-delegated account-opening method, that is, the client opens an account through an overseas broker which is filed at DCE and which then entrust the futures company to carry out the trading of the specified domestic futures products. During the sub-delegated account-opening process, the overseas broker shall apply on the client's behalf for the trading code through the CFMMC's uniform account-opening system, and the domestic futures company shall carry out certain management and control, however, without checking the overseas trader's personal information.

The overseas client that opens accounts by taking both the above methods shall not carry out the futures trading through

the same futures company Member. The one that opens accounts through different overseas brokers shall not entrust the same futures company Member with the futures trading.

14. What identity certification materials shall be submitted when the overseas client opens an account?

Upon opening an account, the overseas trader shall submit valid identity certification documents and at least one (1) reference identity certification document. If the overseas entity client authorizes an account-opening agent to handle the account-opening formalities, it shall issue the power of attorney or other authorization documents, valid identity certification documents of its standing director(s) or statutory representative, other reference identity certification documents, account-opening agent's identity certification documents and other account-opening materials. Please refer to the CFMMC's Uniform Account-opening Business Operation Rules for Overseas Traders for the specific requirements for the relevant materials.

15. How does the account-opening institution open an account for overseas traders?

After examining the authenticity, lawfulness, validity and completeness of the account-opening materials submitted by the overseas client, any and all requirements for account opening in real name, and the satisfaction by the trader of the DCE's suitability policy requirements, the account-opening institution shall submit the overseas trader's account-opening materials through the CFMMC's uniform account-opening system (please refer to the CFMMC's Uniform Account-opening Business Operation Rules for Overseas Traders for the specific requirements).

Under the direct account-opening process, the CFMMC and DCE, after completing the check, shall inform the futures company member the result for handling of application for the trading code. Under the sub-delegated account-opening process, the CFMMC, after passing the check, will forward the account-opening application to the futures company member which is entrusted to open the account; and after the futures company member agrees, the CFMMC will forward the account-opening materials to DCE for

further handling; and DCE will check pursuant to the applicable business rules, and will inform, through the CFMMC, the overseas broker and the entrusted futures company member the result for handling of application for the trading code.

16. Will there be any change in the account-opening process for domestic clients after the iron ore futures internationalization?

There is no change in the account-opening process for domestic clients with regard to the submission of materials. However, with respect to the newly account-opened clients who haven't applied for the authority of its specified futures product trading, the futures company members shall firstly close the authority of its specified domestic futures product trading, and may then grant the authority of the specified domestic futures product trading for the domestic clients that apply for specified domestic futures product trading and satisfy the suitability standards.

17. How do domestic traders participate in trading specified domestic futures products?

The domestic clients which opened an account prior to the implementation of the DCE's measures for management of specified product traders' suitability may directly participate in the specified futures product trading. The newly account-opened clients shall file to the futures company member a written application for the specified product trading authority, the materials of which shall contain the clients' basic information and application intention and shall be signed and/or sealed by the clients. The futures company member shall grant the trading authority for the domestic clients which satisfy the suitability requirements, and shall daily report and file, at the column of Options and Specified Products Trading Authority Reporting and Filing under the DCE's member service system, the information of the domestic clients which trading authority has been granted.

18. Will the suitability requirements be re-examined when the clients whose trading authority has been granted participate in specified product

futures trading through other account-opening institutions?

With respect to a client that opens its account directly through the futures company and participates in the specified domestic futures product trading, the provisions of requirements for available funds, knowledge test and trading experiences under the Guidance may not be applicable to such client when it participates in the specified domestic futures product trading through other futures companies. However, the client shall provide the certification issued by the former account-opening institution and to the effect that such client has obtained the specified domestic futures product trading authority.

19. What is the trading code?

The trading code shall refer to the special code used by the client to carry out futures trading; and after the passing of the client's account-opening application, DCE will assign to it a trading code. The client trading code consists of a 12-digit number, the first four digits being the member number and the remaining eight digits being the client number. With respect to the overseas client whose account is opened under the sub-delegated model, the member number shall refer to the member number of the futures company entrusted by the overseas broker.

One client can have only one client number in DCE but may have more than one trading code due to the fact that it opens accounts through different members.

20. Which class of clients does the special entity client refer to?

The provisions of requirements for available funds, knowledge test and trading experiences under the Guidance may not be applicable when the special entity clients that participate in the specified domestic futures product trading apply for the trading code or the granting of the trading authority.

The special entity clients shall refer to the futures companies, securities companies, fund management companies, trust

companies and other financial institutions, as well as social security companies, qualified overseas institutional investors and other entity clients whose assets need to be managed in separate accounts according to the laws, administrative regulations and rules.

21. Under the circumstance that the same trader participates in specified domestic futures product trading, can it apply for opening an account in multiple nationality or identity?

No.

22. Do the account-opening institutions need to preserve the client's suitability materials?

Yes. The Account-opening Institutions shall preserve the originals or photocopies of all the clients' available funds certification materials, knowledge test score sheets, trading experiences certification materials and other certification documents provided by such clients and used for suitability assessment and related documents, and shall set up the client suitability materials archives; the preservation period shall be not less than twenty (20) years for any audit by DCE or other regulatory authorities. All the materials shall be kept confidential, except for investigation and inspection according to law.

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ENTRUSTMENT BUSINESS FILING CHAPTER



23. Except for being entrusted by overseas traders, can the overseas broker accept entrustment from a domestic trader to carry out domestic futures trading on its behalf?

No. Article 7 of the Interim Measures for Management of Trading Specified Domestic Futures Products by Overseas Traders and Brokers provides that the overseas broker cannot be entrusted by the domestic trader or any entity or individual described in Article 26 of the Regulation on the Administration of Futures Trading to carry out futures trading on its or their behalf. Article 26 of the Regulation on the Administration of Futures Trading provides that any of the following entities or individuals shall not engage in futures trading, and the futures companies shall not accept their entrustment to carry out futures trading on their behalf: (i) state organs and public institutions; (ii) employee of the State Council's futures supervision and administration institution, futures exchanges, safe deposit and monitoring institution for futures margins and China Futures Association; (iii) the ones that are prohibited to access securities or futures market; (iv) any entity or individual that fails to provide the account-opening materials; or (v) any other entities or individuals that shall not engage in futures trading as prescribed by the State Council futures supervision and administration institution.

24. Can the overseas brokers directly access and trade at DCE?

Currently, no. With respect to the DCE's futures products which have been determined by the CSRC to be specified domestic products, the overseas broker may enter into a written entrustment agreement with the domestic futures company member which then file an application to DCE for the sub-delegation business filing; and thus, the overseas broker may carry out trading through the domestic futures company member.

25. When the overseas broker entrusts a futures company member to carry out business filing, what filing materials shall be submitted by the futures company member to DCE?

The materials that shall be provided include the following: the explanation of the filing; the materials that the overseas broker is capable of satisfying the relevant conditions under Article 5 of the Measures for Administration of Futures Company Members Entrusted by Overseas Brokers with Futures Trading Business of Specified Domestic Futures Products; and the effective identity certifications, resumes and signature and seal cards of the risk control person-in-charge of the futures business of the overseas broker; the materials of the relevant business policies, internal control policies and risk management policies related to the entrustment of the futures company member to carry out the futures trading; the entrustment agreement entered into with the overseas broker; and other application materials prescribed by DCE.

DCE shall decide whether to approve a filing within fifteen (15) trading days following the receipt of all the filing documents. DCE will issue a filing number and inform the futures company Member in writing upon decision on approval for filing, and will explain the reasons in writing upon decision on disapproval for filing.

26. Is the filing at DCE needed if the futures company member and the overseas broker modify the entrustment agreement?

Yes. In case of any modification to the entrustment agreement, the futures company Member shall submit the materials to DCE within five (5) trading days prior to the modification thereof and apply for modification of the relevant filings. DCE shall confirm in writing with the futures company Member the filings ten (10) trading days following the receipt of the relevant documents.

27. Is the filing at DCE needed if the futures company member and the overseas broker terminate the entrustment agreement?

Yes. In case of any termination of the entrustment agreement, the futures company member shall submit the materials to DCE within (5) trading days after the termination thereof and apply for deregistration of the relevant filings. DCE shall confirm in writing with the futures company member the filings ten (10) trading days following the receipt of the relevant documents.

28. How does the futures company member clear with the overseas broker?

The futures company member may open a comprehensive account for the overseas broker to be used for the futures settlement, delivery and other matters of the overseas clients of the overseas broker. The futures company member shall collect margins as per the comprehensive account until registration of the subsidiary accounts to (the comprehensive funds account of) the overseas broker.

29. Who is responsible for the funds check and risk management risk management regarding the overseas broker's futures trading?

The futures company member shall be responsible for the funds check and risk management risk management with respect to the entrustment of the overseas broker in futures trading.

30. Can the overseas broker use the clients' trading orders to carry out their own hedging or other trading?

No. The overseas broker shall directly transmit the clients' trading orders to the futures company member and shall not carry out the hedging or other trading in private.

31. What are the requirements for preservation of the overseas brokers' data of trading, settlement, financial affairs and others?

The overseas brokers shall set up the backup policy with respect to trading, settlement and financial data. The client data archives with respect to the account opening, modification and account deregistration, as well as trading orders records, trading settlement records, erred order records, client complaint archives and other business records shall be preserved for at least twenty (20) years as of the date of termination of the futures brokerage contract.

32. What are the provisions for the overseas broker's clients to handle account opening/ closing business?

The overseas broker shall carry out the real-name verification of the clients, preserve the account-opening materials and audio-visual files of the clients and shall apply for the trading codes pursuant to the business rules of China Futures Market Monitoring Center Co., Ltd. (CFMMC). The overseas broker shall assist the futures company Member to perform the corresponding risk management responsibilities. The futures company Member shall assist the overseas broker, pursuant to the rules of CFMMC, to open a trading account for the overseas clients and to obtain the trading codes.

In case any client terminates its business relationship with an overseas broker, the involved Member shall assist the overseas broker to timely handle deregistration.

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TRADING CHAPTER



33. What is the underlying product of iron ore futures after internationalization?

After internationalization, the DCE's iron ore futures will take the after-tax imported ore fines of 62% iron grade as the trading benchmark product. The ore fines and ore concentrates of no less than 60% iron grade may be used as delivery alternative, and the quotation price shall be tax inclusive. Please refer to the DCE's official website for more details.

34. What are the trading hours for iron ore futures?

The iron ore futures trading days are Monday through Friday (except for the national holidays in Mainland China). Each trading day has one (1) night trading session, currently, from 21:00 through 23:30, and the day trading session which has three (3) trading periods consisting of the first period from 9:00 through 10:15, the second period from 10:30 through 11:30 and the third period from 13:30 through 15:00 (Trading hours on national holidays will be subject to DCE's notice).

35. How to carry out call auction of iron ore futures?

The opening call auction of iron ore futures shall be carried out within the first five (5) minutes prior to the opening of the night trading session, and the day trading session does not have call auction. The four (4) minutes prior to the call auction shall be the time of entering buy and sell orders, and the last one (1) minute following the call auction shall be the call auction matching time.

The opening price generated by the call auction shall be subject to the principle of maximum trading volume, that is, the price at which trading volume is the highest. In case there are more than one price satisfying the aforesaid principle, the opening price shall be the price close to the settlement price of the previous trading day. The untransacted orders in the opening call auction shall automatically participate in the auction trading after the market opening.

36. What trading orders are currently accepted by DCE?

The trading orders which are currently accepted by the DCE's computer matching system include the limit price order, the market price order, the market price stop-loss (profit) order, the limit price stop-loss (profit) order and the arbitrage trading order. The arbitrage trading orders are divided into the calendar spread arbitrage trading order and the cross-product arbitrage trading order. Please refer to the Detailed Trading Rules of Dalian Commodity Exchange for the specific introduction of the trading orders.

Currently, the maximum quantity of each placed order with respect to the iron ore futures trading order is one thousand (1,000) lots, and the minimum is one (1) lot. The valid term of the client's trading order is the then-current trading day.

37. What are the matching principles for the iron ore futures orders?

The DCE's computer order-matching system shall order the buying and selling orders under the principle of price priority and time priority, and the automatic order-matching closing will be made when the buying price is higher than or equal to the selling price.

When the price of the price limits is entered on a futures contract, the closing order-matching principle shall be liquidation priority and time priority, and the forced liquidation orders shall prevail over other liquidation orders.

38. How is the iron ore futures price determined?

The order-matching closing price shall be subject to the principle of the "middle of the three prices", that is, the closing price shall be equal to the middle one of the buying price, the selling price and the previous closing price.

39. How can overseas traders receive the DCE's detailed price quotation?

Currently, Dalian Futures Information Technology Co., Ltd. (DFIT), the subsidiary wholly owned by DCE, is responsible for the external license service regarding the detailed price quotation:

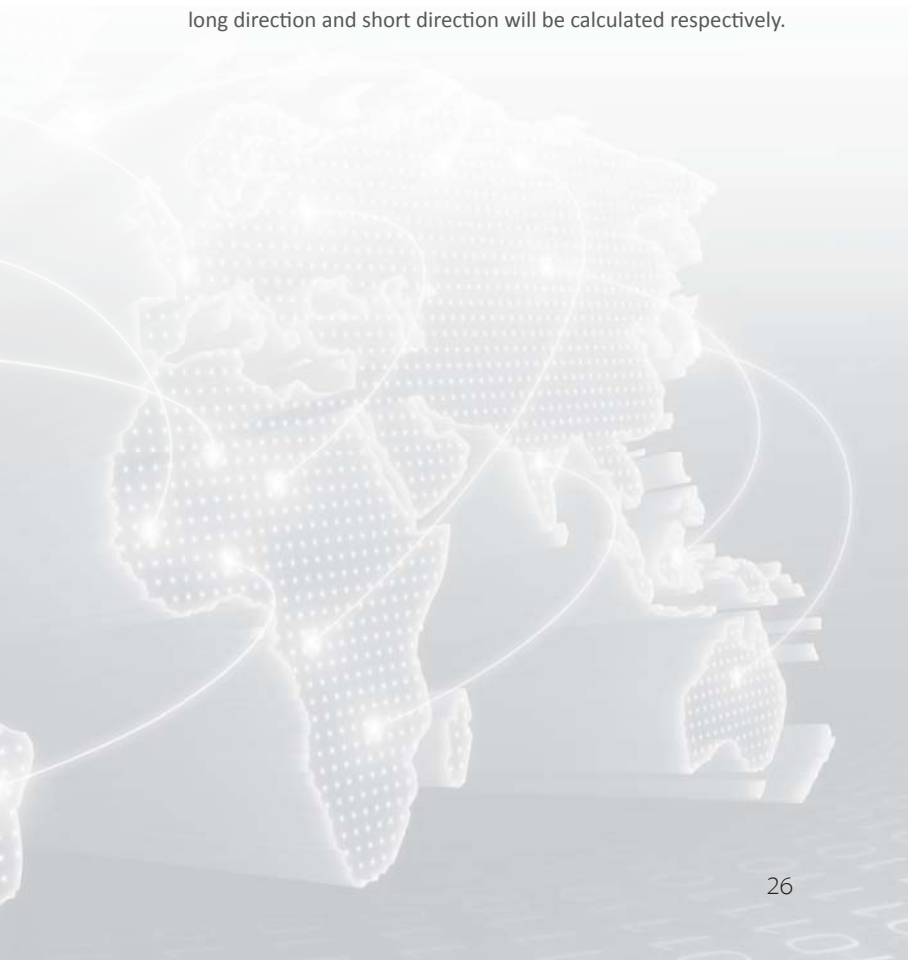
(i) Forwarded by information suppliers. The overseas traders may view the detailed quotation through the licensed information suppliers' client-side products. DCE's level-2 display quotation information suppliers include Interactive Data, Fidessa, Wenhua Finance & Economics, Shanghai Pengbo and Guotai'an. Interactive Data also owns the forwarding qualification regarding the overseas non-display use, and the traders may purchase the data-feed service through forwarding.

(ii) DFIT direct-connection service. This mainly targets the users of non-display quotation demands. The overseas traders may use

such service to carry out trading strategy research or implementation, risk control or other uses. Currently, the Datafeed data products provided by DFIT is a direct-connection service, and the clients may use the co-location method to receive the DCE's detailed quotation directly through the API interface provided by DFIT, thus avoiding the delay of any data acquired through an information supplier.

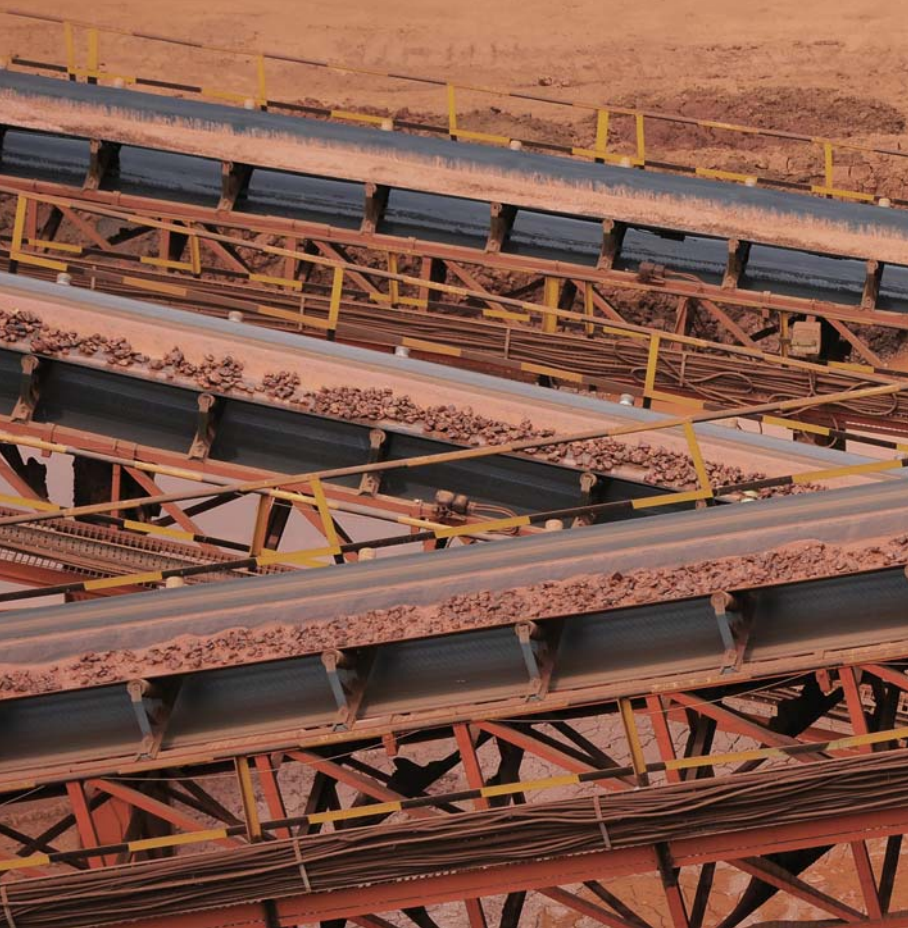
40. Can a client hold the long- and short- direction positions concurrently?

Yes. As per the long- and short- directions and the position opening and/or closing, the client's trading orders are divided into long position-opening, short position-opening, long position-closing and short position-closing. The position in the long direction and short direction will be calculated respectively.

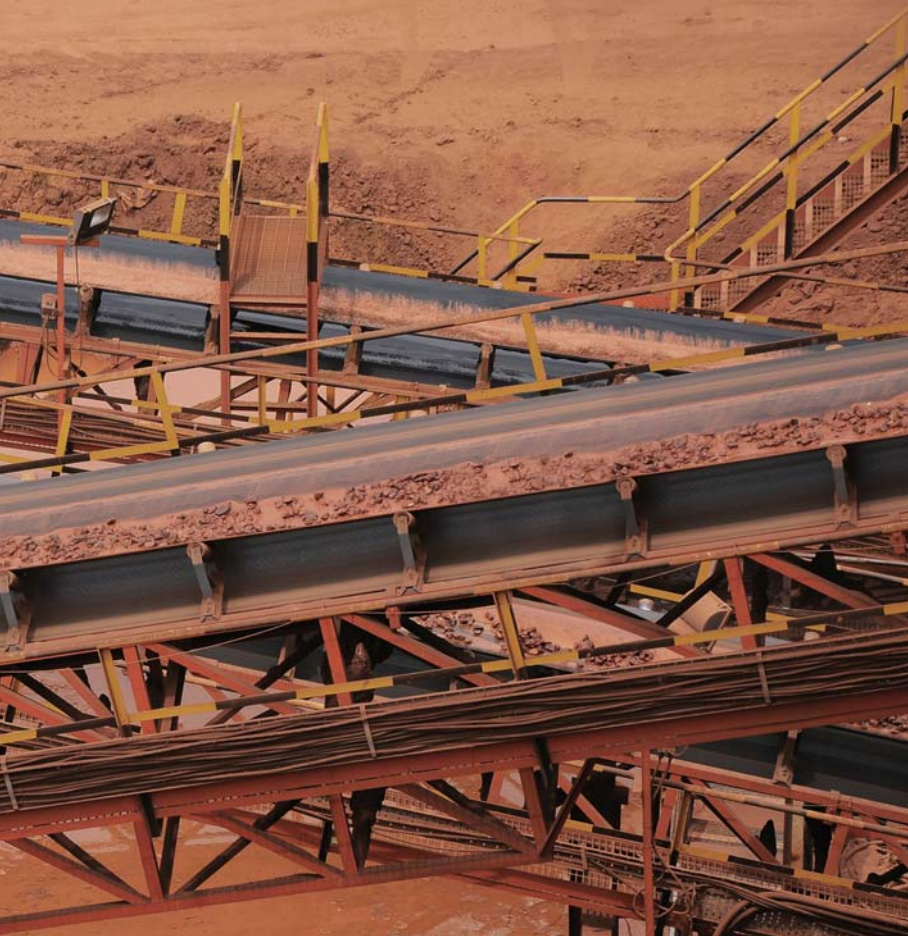


IRON ORE FUTURES MARKET
INTERNATIONALIZATION

Q&A



CLEARING CHAPTER



41. What are the provisions on margin of iron ore futures? Where can we inquire the existing margins of iron ore?

The trading margin of an iron ore futures contract is a certain proportion of contract value. Currently, the margin followed by iron ore variety is 10% of contract value.

From the 15th trading day of the month before the delivery month, the Exchange will gradually increase the trading margin of such contract. The margin requirements when iron ore futures contract that close to the delivery month is:

Trading period	Trading margin (RMB/lot)
The fifteenth trading day of the month immediately preceding the delivery month	10% of contract value
The first trading day of the delivery month	20% of contract value

The Exchange may adjust the trading margin of any contract on the basis of the market situation. Clients may inquire the latest trading parameters of trading margin in the homepage - business/service - business parameters - trading parameters - list of trading parameters of the Exchange's official website.

42. Are there preferential measures for margin of iron ore futures contract? What are the ways to receive the preferential measures?

DCE provides preferential measures for margin of arbitrage meeting the exchange regulations. The arbitrage margin = Max [margin traded by the buyer to position, margin traded by the seller to position].

There are two ways to receive the preferential measures for margin: first, in the duration of trade, the trading margin of commission conducted through arbitrage command will be charged according to the arbitrage margin standard upon the settlement of last trading day; second, during the settlement,

the Exchange takes the trading code as unit, and conducts position combination of each contract according to the following order: calendar spread, cross-product, and lock trade.

The arbitrage margin preferential related to iron ore includes calendar spread of iron ore, cross-product arbitrage of iron ore and coking coal/coke.

Clients may inquire the arbitrage type, contract, and combination type supported by the Exchange as well as the specific margin standard and other parameters in homepage of the Exchange' s official website - business/service - business parameters - trading parameters - arbitrage contract details, arbitrage margin preferential parameters, combined preferential parameters.

43. How is the daily settlement price of iron ore futures contract generated?

The settlement price shall refer to the trading volume weighted average price during the trading period of the then-current. In case of no trade, the settlement price shall be fixed pursuant to the applicable provisions of the *Detailed Settlement Rules of Dalian Commodity Exchange*.

44. How to collect the commissions of iron ore futures contract?

The Exchange will collect commissions from the members according to a certain proportion of contract transaction amount upon settlement, and please refer to the official website for standard of contract commissions.

45. What are the roles and responsibilities of DCE in the futures settlement?

DCE is a futures exchange with function of settlement, and as a central counterparty, it shall uniformly organize the settlement with respect to the futures trading, and be responsible for the margin management, the risk reserves management and the prevention of the settlement risks with respect to the futures trading.

46. How does an overseas trader make a settlement?

Overseas trader may directly entrust a futures company member to conduct a transaction and make a settlement, and also may entrust a qualified overseas broker to entrust a futures company member to conduct a transaction and make a settlement.

47. How do the overseas traders and overseas brokers handle the related capital receipt & payment, exchange and transfer of specific futures trading at home?

Overseas traders or overseas brokers may open a special futures settlement account of RMB and a special futures settlement account of foreign currency in the designated depository banks with qualification for saving the margin of overseas clients, used for handling the related capital receipt & payment, exchange and transfer of specific futures trading at home.

Please consult to the designated depository bank for specific account information requirements. (Please refer to the official website for contact information of each depositing bank).

48. What's the settlement currency of iron ore futures trading?

Iron ore futures trading is priced and settled with RMB. Overseas traders and overseas brokers may use RMB, and also may directly use USD as margin. Profit or loss settlement, settlement of commissions, delivery payments, and option premium shall be paid in RMB.

Currently, the foreign exchange fund accepted by DCE is only USD.

49. What are the provisions on foreign exchange settlement and purchasing of overseas clients and overseas brokers?

The foreign exchange settlement and purchasing of overseas clients and overseas brokers will be handled by the futures company members.

The foreign exchange settlement and purchasing business shall be handled via a designated depositing bank. Foreign exchange settlement and purchasing shall be handled based on the actual results of iron ore futures trading by overseas traders and overseas brokers, and only futures trading profit/loss settlement, payment of commissions, payment for delivery of goods or recovery of settlement monetary capital gap, and other money related to iron ore futures trading are involved. Payment for delivery of goods includes delivery at expiry, exchange of futures for physicals (EFPs) of warehouse receipt on par, and transfer of warehouse receipt, etc.

50. Which assets can be used by overseas clients and overseas brokers as margin to take part in iron ore futures trading except for foreign exchange funds?

Overseas clients and overseas brokers also may use a warehouse receipt on par of iron ores as margin. Currently, other assets are not accepted as margin.

51. When will the Exchange conduct exchange of foreign exchange funds of futures company members?

When the RMB funds in the member's settlement reserve is less than the minimum balance of the settlement reserve, the Exchange shall issue a notice of additional payment of RMB funds to the member. The member shall additionally pay the RMB funds to the minimum balance of the settlement reserve prior to the opening of the market of the immediately following trading day. In case no such additional payments are made, the Exchange may carry out the forced swap against such member's foreign exchange funds in the special settlement account or the foreign exchange funds in such member's special funds account after the closing of the market of the second session of the immediately following trading day.

52. How can DCE effectively protect the security of clients' funds in iron ore futures trading?

DCE carries out "one account, one code" system in futures trading, and assorted code trading is forbidden. The Exchange will conduct accounting to the participant's transaction, position and profit/loss based on the client's trading code, and the client's positions and related collaterals have clear rights and interests.

In addition, "China Futures Market Monitoring Center" has been established in China's futures market, which realizes the margin monitoring and pre-warning mechanism through comparison of clients' rights and interests based on the total funds in the margin sealing ring provided by futures companies, depository banks, and futures exchanges, so as to safeguard clients' margins.

53. How does DCE undertake the performance responsibility when a member violates the contract?

When the member cannot perform the contractual obligations finally, DCE may guarantee the market integrity by utilizing the member's settlement reserves, suspending opening for trading, carrying out forced liquidation pursuant to the applicable provisions, having the assets deposited and taken as the margins realized, using its membership fee to carry out compensation, utilizing the risk reserves, utilizing the Exchange's own assets, and taking other measures.

54. How to deal with their margins of overseas traders or overseas brokers in case of bankrupt?

It's stipulated in Article 19 of Interim Measures for Management of Trading Specified Domestic Futures Products by Overseas Traders and Brokers, the margin only can be used for guaranteeing a futures contract or option performance, and is forbidden to be used for

other purposes except for legal circumstances. When overseas traders or overseas brokers are taken over, become impoverished, or are subject to clearing, their margins shall be firstly used for performing the open futures contract or option contract in the futures exchange.

55. What's the source of risk reserves of DCE?

Source of risk reserves of DCE: Twenty (20) percent of the commissions collected by the Exchange from the members to be withdrawn from the management costs; other revenues subject to the national financial policies.

56. What can decide the scale of risk reserves of DCE?

The total scale of risk reserves of DCE covers the credit exposure when two biggest participants breach the contract at the same time under extreme but reasonable circumstances. DCE will evaluate the sufficiency of scale of risk reserves through stress test every year.

IRON ORE FUTURES MARKET
INTERNATIONALIZATION

Q&A



DELIVERY CHAPTER



57. What's the biggest difference between domestic iron ore futures and overseas iron ore futures in delivery system?

Different from main iron ore futures in the world, DCE's iron ore futures contract prohibits cash delivery, and physical delivery will be adopted. However, as for the iron ore futures in Singapore and USA, iron ore price indexes are taken as standards, and they will be subject to cash delivery upon expiration of contract.

58. What are the changes to domestic traders' participating in delivery of iron ore futures after internationalization?

When domestic traders participate in the duty-paid delivery, all business procedures are not changed. When they participate in the bonded delivery, tax receipt issuance method will be changed from the original issuance or acceptance of commercial invoice to issuance of VAT common invoice to its member or acceptance of VAT common invoice issued by the member; in addition, the payment for bonded delivery will be changed to settlement by the Exchange from the settlement with warehouse; when a domestic trader completes the delivery as buyer, and handles import declaration, settlement bank shall, according to the related provisions of foreign exchange management, handle the recovery of approval on payment for delivery of goods, while others have no changes.

59. How does an overseas trader handle the delivery business?

As for an overseas trader realizing trading via a domestic futures company's direct opening an account, its delivery business shall be entrusted to the domestic futures company opening an account for it to handle; as for an overseas trader realizing trading via an overseas brokerage's opening an account and entrusting to a domestic futures company, its delivery business shall be entrusted by the overseas brokerage to the domestic futures company to handle.

60. Which are the points of delivery of iron ore futures an overseas trader may select?

As of the end of February 2018, the delivery points of iron ore futures include Qingdao Port, Rizhao Port, Liangyungang Port, Caofeidian Port, Jingtang Port, Tianjin Port and Dalian Port, in which, Dalian Port Bulk Cargo Logistics Center is an designated bonded delivery warehouse of iron ore futures, and overseas traders may select to conduct physical delivery in Dalian Port, and subsequently, the Exchange will gradually expand the bonded delivery points to other existing delivery ports.

61. What is the delivery unit of iron ore futures? What type of position is not allowed for physical delivery?

- (1) No delivery is allowed to the individual client's positions;
- (2) No delivery is allowed to the positions not of integral multiples of delivery unit. The delivery unit of iron ore futures is 10,000tons.

62. What preparations an overseas trader as the seller shall make upon delivery?

The overseas trader shall start the preparation for bonded warehouse receipt registration 15-20 days ahead of time, and the specific content of preparation includes: entrusting a domestic futures company or overseas brokerage sub-entrusting a domestic futures company to handle delivery forecast, and warehouse entry of delivered commodities after approval by the Exchange, develop quality inspection, and bonded warehouse receipts on par can be handled after quality inspection.

The overseas trader shall submit the bonded warehouse receipts on par to the Exchange before the closing of the first delivery day, or it will be deemed as violation.

63. How to affirm the “delivery default” in one-off delivery? What are the corresponding treatment measures?

Bonded one-off delivery default will be constituted in one of the following circumstances:

- (1) The seller fails to fully deliver the warehouse receipts on par within the prescribed period;
- (2) The buyer fails to fully pay the payments within the prescribed period.

In case that a delivery default is committed, the liquidated damages of twenty (20) percent of the contract value of the default portions shall be paid by the defaulting party to the observant party, and the delivery shall terminate between the buyer and the seller. In case that a delivery default is committed by both parties, the liquidated damages of twenty (20) percent of the contract value of the default portions shall be paid by the defaulting party to the observant party, and the delivery shall terminate between the buyer and the seller. The specific calculation method shall be subject to Detailed Delivery Rules of Dalian Commodity Exchange.

64. What preparations an overseas trader as the buyer shall make upon delivery?

When an overseas trader serves as the buyer of delivery, it shall complement the corresponding payment for bonded delivery (bonded premiums / discounts included) according to the matching results of the second delivery day before the closing of the third delivery day. When it fails to complement, the default contract quantity shall be calculated and also it shall be treated according to the default management measures.

65. What are the costs and expenses involved in delivery of iron ore futures?

Delivery commissions: RMB0.5/ton; the parties to the physical delivery shall respectively pay the delivery commissions to the Exchange.

Storage charges: RMB0.5/ton/day, it shall be paid by the warehouse

receipt holder to the warehouse;

Warehouse entry/exit fees: The costs for the delivery into or loading out of the designated delivery warehouse shall be subject to a maximum price, and on November 1 of every year, it is required to publish the charging standard of each delivery warehouse, and the expenses collected by the warehouse shall not exceed such standard, and the specific standard is as shown in the official website of the Exchange. Such fees shall be paid by the owner of goods handling warehouse-in/warehouse-out formalities to the warehouse.

Quality inspection fees: To be collected according to the market price, and paid by the owner of goods to the inspection agency.

66. What are the types of warehouse receipts on par? Which type of warehouse receipt an overseas trader may hold for delivery?

The warehouse receipts on par shall be divided into the bonded warehouse receipts on par and the duty-paid warehouse receipts on par on the basis of the duty-paid status. It's stipulated by the Exchange that, the seller client holding a duty-paid delivery shall issue the VAT special invoice to the buyer client. The overseas trader may hold a bonded warehouse receipt on par for delivery for it cannot issue VAT special invoice.

In addition, the overseas trader may settle the position through bonded exchange of futures for physicals (EFPs).

67. Duty is included in the price of iron ore futures, and warehouse receipt includes bonded warehouse receipt and duty-paid warehouse receipt. What shall an overseas buyer do after receiving a duty-paid warehouse receipt?

As the overseas client cannot issue a VAT special invoice, it may have difficulty in treating the warehouse receipt after receiving a duty-paid warehouse receipt. To solve this problem, DCE has designed warehouse receipt switch business. When it's discovered that the bonded warehouse receipt on par quantity is

smaller than the positions bought by the overseas trader, the iron ore warehouse receipt service provider will provide the bonded warehouse receipt on par for the market, and through the pairing principle that bonded warehouse receipt will be preferentially distributed to the overseas buyer, the overseas client as the buyer can receive the bonded warehouse receipt on par, so as to avoid its barriers in subsequent treatment.

68. What are ways an overseas buyer has to treat the bonded warehouse receipt after receiving it?

The overseas buyer, after receiving the bonded warehouse receipt, may cancel the warehouse receipt and then handle the export declaration of commodities for delivery, and also may conduct re-delivery or transfer in the form of warehouse receipt, but shall not resell to the domestic clients in the way of bonded spot goods after deregistration of bonded warehouse receipt on par.

69. What are ways a domestic buyer has to treat the bonded warehouse receipt after receiving it?

The domestic buyer, after receiving the bonded warehouse receipt, may conduct re-delivery or transfer in the form of warehouse receipt, and also may cancel the warehouse receipt and then directly handle the import declaration or sell the goods to an overseas client to handle export declaration, but shall not resell to the domestic clients in the way of bonded spot goods after deregistration of bonded warehouse receipt on par.

70. How long is the warehouse receipt on par of iron ore valid?

According to the current rules, the warehouse receipt on par of iron ore will take effect from the date when it is registered in the Exchange, and its validity period is up to as long as one year. Centralized deregistration is arranged in the last working day of March every year. The bonded warehouse receipt on par and the dutiable warehouse receipt on par are consistent in validity period.

71. Which sources of iron ore can be registered for bonded warehouse receipts on par?

The commodities that can be used for bonded delivery of iron ore futures include: (1) the iron ore commodities imported by the owner and directly transported to the designated delivery warehouse for storage; (2) the iron ore commodities that are transported by overseas enterprises to special supervision area of customs or bonded regulation area for simple processing, and then directly used for bonded delivery; (3) the iron ore commodities that are transported by overseas enterprises to special regulation area of customs or bonded supervision zone for simple processing and first reselling, and then directly used for bonded delivery;

72. How to determine the one-off delivery settlement price of iron ore futures contract of DCE? How to determine the bonded delivery settlement price? Where can the clients inquire the delivery settlement price?

Iron ore futures contract price is duty-paid price, and the delivery settlement price is the weighted average price of all transaction prices in the period from the first trading day to the last trading day of the delivery month of futures contract. After closing of last trading day, the Exchange will make a settlement of the open positions with delivery settlement price, and include it in the liquidation gain and loss of the day.

Bonded delivery settlement price is the price of delivery settlement price after deduction of taxes through calculation, and the bonded delivery settlement price is mainly used for the calculation of bonded payment, and as the basis for application to customs for price appraisal.

After the last trading day, the clients may inquire in the column of data statistics at the official website of the Exchange.

73. How to calculate the bonded delivery payment and the duty-paid delivery payment?

Bonded delivery payment is settled according to the bonded delivery settlement price and the bonded premiums/discounts, and it will be paid to the seller member in one time on the final delivery day, with the formula shown as below:

Payments of the bonded warehouse receipts on par = (the bonded delivery settlement price + the bonded premiums/discounts) × the quantity of the bonded warehouse receipts on par × trading unit

For example, the delivery settlement price of I1905 contract is RMB469/ton, and this price is the weighted average price of all transaction prices within the first 10 trading days in May 2019. I1905 bonded delivery settlement price is $(469-1)/1.17 = \text{RMB}400/\text{ton}$, and bonded premiums/discounts are RMB0/ton; when a client buys 10,000 tons for delivery the month, and it needs to make a payment of RMB4 million after receiving the bonded warehouse receipt.

Duty-paid delivery payment is the standard payment calculated as per the delivery settlement price, and premiums/discounts are not included. The Exchange will follow the 80/20 Rule on the final delivery day, i.e., the Exchange will transfer 80% of payment to the seller member on the day of settlement, and the remaining payment will be transferred after the seller submits the VAT special invoice.

74. How to settle the premiums/discounts in the bonded delivery of iron ore futures?

All the money including the premiums/discounts of bonded area and the bonded quality premiums/discounts of the warehouse receipt in the bonded delivery of iron ore futures will be settled uniformly by the Exchange, and then settled together with the delivery payment, and paid in one time.

75. What kind of receipt voucher or invoice an overseas trader or overseas brokerage participating in bonded delivery shall issue or receive?

When an overseas trader or overseas brokerage serves as the seller, it shall issue the corresponding receipt voucher to the domestic member; when it serves as the buyer, it will receive the Chinese VAT general invoice issued by the domestic member.

76. What are the changes to invoicing model as to the domestic traders after internationalization of iron ore?

If the domestic clients participate in the duty-paid delivery, the invoicing model is not changed: the seller should issue corresponding VAT special invoice to the buyer;

If the domestic clients participate in the duty-paid delivery, it is required to adopt the model of invoicing by five parties participated in by the Exchange and members, i.e., domestic seller client shall issue a VAT general invoice to the seller member, the seller member shall issue a VAT general invoice to the Exchange, the Exchange shall issue a VAT general invoice to the buyer member, the buyer member shall issue a VAT general invoice to the domestic buyer client or overseas buyer client or overseas brokerage.

77. What's the submission time of bonded delivery invoice? What are the punishments in case of failure in submission of invoice?

One-off delivery: the seller member shall, before the closing of the final delivery day, submit a VAT general invoice to the Exchange. If the seller member fails to submit the VAT general invoice upon closing of 7 trading days after the day when the VAT general invoice should be submitted but not submitted, the Exchange will withhold the corresponding money based on 5% of payment, and also will deduct the overdue fine or confiscate the payment according to the related rules.

78. What documents a domestic buyer shall take to handle the customs declaration and inspection declaration formalities in the bonded delivery?

The domestic buyer needing import declaration shall take the bonded delivery settlement bill issued by the Exchange to apply to national inspection and quarantine department for inspection, and take the bonded delivery settlement bill (used for customs declaration) issued by the Exchange, the customs clearance form of commodity inspection issued by the inspection and quarantine department, and the warehouse receipt on par list issued by the designated delivery warehouse to handle the import declaration formalities.

79. What are the changes to procedures of bonded exchange of futures for physicals (EFPs) and duty-paid EFPs of iron ore?

First, liquidation price is different. The settlement liquidation price on the approval day of bonded EFPs is the contract settlement price of the latest delivery month on the day before the date of application, while the settlement liquidation price on the approval day of duty-paid EFPs is the price negotiated by the two parties;

Second, payment is different. The payment of bonded EFPs is transferred according to the delivery settlement price of bonded EFPs and bonded premiums/discounts, while the payment of duty-paid EFPs is transferred according to the price negotiated by the two parties;

Third, invoicing model is different. The EFPs of bonded warehouse receipts on par will be subject to the five-party invoicing model, while as for the EFPs of duty-paid warehouse receipts on par, the seller client will directly issue a VAT special invoice to the buyer client.

80. What's the difference in transfer of bonded warehouse receipt of iron ore from the past?

First, the transfer payments of bonded warehouse receipts on par

will be settled by the Exchange uniformly, and the settlement of bonded premiums/discounts is included; second, the transfer prices of bonded warehouse receipts on par shall be within the range of limit price of contract after duty deduction in the latest delivery month on the day when application for transfer is submitted; third, the invoicing model of bonded warehouse receipts on par is five-party invoicing, and the seller member shall submit the VAT general invoice to the Exchange while submitting the application for transfer.

81. What's the price of duty declaration to customs for the imported goods after bonded delivery?

According to the related policies of customs (Announcement of Dalian Customs [2016] No.6), when import/export after delivery is declared to customs, the delivery warehouse and the warehouse receipt holder shall take the documents like bonded delivery settlement and list of bonded warehouse receipts on par to handle the declaration formalities in the competent customs, and declare at the customs with "bonded delivery settlement price" (i.e., "delivery settlement price" after deduction of tariff and VAT in the import process) as transaction price.

82. Is an overseas trader allowed to pay with USD? What's the delivery payment subject to foreign exchange settlement and purchasing?

According to the policy requirements of the People's Bank and the State Administration of Foreign Exchange (SAFE), iron ore futures are priced and settled with RMB, and the delivery payment may be subject to foreign exchange settlement and purchasing, and the scope of the delivery payment includes those for delivery upon expiry, exchange of futures for physicals (EFPs) of warehouse receipt on par, and transfer of warehouse receipt settled via the Exchange. Therefore, the overseas trader may pay USD, and after equal RMB is obtained by the member via foreign exchange purchasing, a payment will be made for the goods.

IRON ORE FUTURES MARKET
INTERNATIONALIZATION

Q&A



HEDGING & ARBITRAGE CHAPTER



83. How can the clients participate in the iron ore hedging trades?

Firstly, a client shall apply the hedging qualification to the Exchange; and after getting the hedging qualification, the client may use an order with hedging attribute to conduct hedging trades; when the hedging client's position limit is insufficient, the client may apply to the Exchange for hedging position quota to increase its position amount.

Based on different contract months, the hedging position amount shall be divided into the hedging position amount of the general months (as of the contract listing date through the last trading day of the first month preceding the delivery month) and that of the delivery months.

84. What are the qualifications of application for iron ore hedging? Which materials shall be submitted?

A client applying for iron ore hedging shall meet the two conditions:

- (1) It is a unit client;
- (2) It shall possess the production and operation qualification of related varieties.

Following materials shall be submitted while iron ore hedging qualification is applied:

- (1) Duplicate of business license;
- (2) Invoice, business performance, business plan and other spot proof materials of the product applied;
- (3) Commitment Letter;
- (4) Other materials required by the Exchange.

85. What materials shall be submitted when iron ore hedging position amount of general months and hedging position amount of delivery month are applied?

Following material shall be submitted when hedging position amount of general months is applied:

- (1) Hedging position amount application form;
- (2) The physicals operation performance for the recent one (1) year, and the physicals operation plans during the hedging period, with respect to the applied products; and
- (3) Other materials (like hedging plan) required by the Exchange.

Following material shall be submitted when hedging position line of delivery month is applied:

- (1) The hedging position amount application form;
- (2) The certification materials and use statement with respect to the physicals which are already held and proposed to be held;
- (3) The physicals operation performance for the recent one (1) year, and the physicals operation plans during the hedging period, with respect to the applied products; and
- (4) Other materials (like hedging plan) required by the Exchange.

No submission will be required in case the above materials have been submitted to the Exchange.

86. How can an overseas client apply for hedging qualification and quota?

As for the client opening an account directly at the futures company member, after its application materials have been examined by the futures company Member, the futures company Member shall handle the submission formalities to the Exchange via member service system on behalf of the client pursuant to the *Measures for Hedging Management of Dalian Commodity Exchange*. The client who entrusts an overseas broker with futures trading and intends to apply for hedging position amount shall entrust its overseas broker with the handling, and the overseas broker shall then entrust a futures company Member with the handling.

87. What's the principle for the Exchange to examine the iron ore hedging position amount of general months?

When an iron ore contract is in general months, the Exchange's system will comprehensively consider the client's hedging needs, contract position conditions and other factors, and examine the hedging position limit of non-futures company member or client. The specific examination principle is shown as below:

When unilateral positions of one iron ore contract are greater than 200,000 lots, the maximum position that a single client (actual account ground of control relationship is deemed as a client) can open in this contract (including speculative position limit and hedging increase amount of general months approved by the Exchange) shall not exceed 25% of unilateral positions of the contract.

When unilateral positions of one iron ore contract are less than 200,000 lots, the maximum position that a single client (actual account ground of control relationship is deemed as a client) can open in this contract (including speculative position limit and hedging increase amount of general months approved by the Exchange) shall not exceed 2.5 times of client's speculative position limit.

The Exchange's system will calculate the opening quantity of each hedging client on the next trading day according to the principle above. With the increase of contract positions, the client's opening quantity will also increase, until the client's hedging demand amount examined by the Exchange will be satisfied; if the contract positions reduce, the client's opening quantity through calculation by system will drop. The Exchange may, based on the market situation and hedging enterprise's operation conditions, adjust the opening quantity of non-futures company members and clients.

88. What's the principle for the Exchange to examine the iron ore hedging position amount of delivery month?

When hedging positions of general months of non-futures company member and client enter into their delivery months, the Exchange will, according to the hedging position quantity of general months and the speculative position limit of the delivery month, whichever is lower, transform the hedging positions of general months into increased hedging position amount of delivery month, and at this time, the client's position amount of deliver month = speculative position limit of delivery month + increased hedging position amount of delivery month automatically transformed.

For example, a client holds 8,000 lots of iron ore hedging positions of general months on the final trading day in the first month before the delivery month, this client's speculative position limit of delivery month is 2,000 lots, then the increased hedging position amount of delivery month automatically transformed is $\min[8000, 2000] = 2,000$ lots. The hedging client's openable position amount of deliver month will reach 4,000 lots (increased hedging position amount of delivery month automatically transformed 2,000 lots, and speculative position limit of delivery month 2,000 lots).

When the position amount of deliver month automatically transformed cannot satisfy non-futures company member or client's hedging need, the non-futures company member or client may apply to the Exchange for hedging position amount of delivery month, and the Exchange will, based on the principle of strictly controlling the risks, comprehensively consider the client's demand as well as the futures and spot market conditions, and examine its request.

89. How can an overseas client apply for increasing arbitration position amount?

As for the client opening an account directly at the futures company member, after its application materials have been examined by the futures company Member, the futures company Member shall handle the submission formalities to the Exchange on behalf of the client pursuant to the Measures for Arbitrage Trading Management of Dalian Commodity Exchange.

The client who entrusts an overseas broker with futures trading and intends to apply for arbitration position amount shall entrust its overseas broker with the handling, and the overseas broker shall then entrust a futures company Member with the handling.

90. Which materials shall be submitted when arbitration position amount is applied?

Following materials shall be submitted when arbitration position amount of general months is applied:

- (1) The arbitration position amount application form; and,
- (2) Other materials required by the Exchange

Following materials shall be submitted when arbitration position line of delivery month is applied:

- (1) The arbitration position amount application form
- (2) The analysis of the deviation of the price differences of the applied contracts; and,
- (3) Other materials required by the Exchange.

91. What's the principle for the Exchange to examine the arbitration position amount?

As to the application for arbitration position line of general months, the Exchange will examine the application based on credit information, historical transaction conditions, and arbitration position use conditions, etc., and determine the added arbitration position amount of general months. Single client's arbitration position amount of general months (speculative position limit included) shall not exceed 25% of the contract's position scale.

As to the application for arbitrage position amount of delivery month, the Exchange will examine the application based on credit information, historical transaction conditions, contractual position conditions, quantity of deliverables, and applicant contract price different deviation or not, and determine the added arbitrage position amount of delivery month. In principle, the Exchange will not approve the arbitrage amount of delivery month. In case of price deviation, the Exchange will approve according to the specific conditions of market.

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92. Is there intraday price fluctuation limit of iron ore futures? If there is any, what's the specific price fluctuation limit standard? Where can we inquire the daily maximum price fluctuation range of iron ore?

Iron ore futures contracts have intraday maximum price fluctuation range limits, and the Exchange has formulated the price limit of each futures contract.

The price limit of iron ore futures contract is a certain proportion of settlement price of last trading day. Different price limits will be followed based on the contract type, newly listed and untraded contract, traded contract, and contract of delivery month, specified as below:

Contract type	Price limit
Newly listed and untraded futures contract	8%
Traded futures contract preceding delivery month	4%
Contract of delivery month	6%

The Exchange will adjust the price limit of each contract according to the market conditions. The price limits of contracts satisfying the price limit provisions given in the Measures for Risk Management of Dalian Commodity Exchange shall be subject to the higher values in the stipulated price limit values.

Currently, the price limit followed by each contract on iron ore futures is 8%. The clients may inquire the latest price limit and other parameters in homepage of DCE official website—business/service—business parameter—trading parameter— trading parameter list.

93. How to judge that the price limit (one-sided non-continuous quotation of price limit) of iron ore futures contracts occurs on a trading day? Where can we inquire the information on price limit of related contracts?

The one-sided non-continuous quotation under the price limit shall refer to the circumstance that with respect to a certain futures contract, there is solely the buying (selling) order at the limit price without the selling (buying) order at the limit price, or the transaction will be made upon occurrence of any selling (buying) order without touching the price limit, within five (5) minutes prior to the closing of the market on a certain trading day. Under such circumstance, it indicates one-sided non-continuous quotations of price limit have occurred to this futures contract.

The clients may inquire whether a contract has one-sided non-continuous quotations of price limit in the homepage of the Exchange' s official website - quotation - statistics - phased statistics - contract price limit.

94. When an iron ore futures contract has one-sided non-continuous quotations of price limit on a trading day, will its margin be increased? Will the price limit be expanded?

When iron ore futures contract has the first, second and third one-sided non-continuous quotations in the same direction of price limit, the margin and price limit will change as below:

	First price Limit	Second price Limit	Third price Limit
Price limit	P	P+3%	P+5%
Trading margin	M	Max[M,P+5%]	Max[M1,P+7%]

M and P respectively represent the contract margin and price limit under the condition when there are no one-sided non-continuous quotations of price limit.

95. Is there position limit for iron ore futures? If there is, what position limit provisions an overseas client shall pay attention to in the iron ore trading? Does the Exchange have position limit requirements for the futures brokers and overseas brokers participating in iron ore futures trading?

Position limit system is followed by iron ore futures. When it's stipulated by the Exchange that members or clients may hold positions, the position limit shall be subject to the maximum amount of speculative positions of iron ore futures contract of unilateral calculation.

It should be noted that, different from many markets in the world, long positions and short positions of iron ore futures contracts shall be calculated separately, without net position management. In addition, pre-control (it is required to check whether positions are excessive while entrusting) is followed in position limit of iron ore futures. In addition, in different stages of iron ore futures contract trading process, different position limit amounts are applicable, and the futures contract position limit amounts in the delivery month shall be controlled strictly.

Currently, DCE has only stipulated the position limit standards of non-futures company members and clients of iron ore futures, while there are no position limit requirements for futures company members and overseas brokers.

The clients may inquire the specific speculative position limit standard of each futures contract on each trading day of iron ore in the homepage of the Exchange's official website - business/service - business parameter - trading parameter - daily trading parameter.

96. Are investors allowed to exceed the speculative position limit standard given by the Exchange? How to handle the position exemption-related business?

To better satisfy the market hedging demands and promote the discovery of market prices and the development of hedging function, the Exchange has the position exemption-related

provisions on hedge and arbitrage trading.

The hedger and arbitrageur satisfying the provisions of the Exchange are allowed to exceed the speculative position limit standard given by the Exchange. However, before these two kinds of clients exceed the speculative position limit standard, they shall apply to the Exchange, and after approval by the Exchange, they can hold the positions beyond the speculative position limit standard.

As for the specific application material requirements and examination principles of hedge and arbitrage trading position exemption, please refer to the homepage of the Exchange's official website - business/service - business guidance - supervision and risk control business guide - business process and data - hedge management business and arbitrage business.

When the clients entrusting overseas brokers to engage in futures trading apply for hedge and arbitrage position exemption, they shall entrust their overseas brokers to make an application, and the overseas brokers entrust futures company members to apply.

97. When one client has many transaction codes in different futures company members, will its positions be calculated separately or jointly? When one group has many entities participate in trading (many clients), will their positions be calculated separately or jointly?

When one client has many transaction codes in different futures company members, its positions shall be calculated jointly.

Whether the positions of many entities under the same group need to be summed up and calculated? It is determined by that whether they belong to actually controlling relationship accounts. If they belong to actually controlling relationship accounts, a report shall be made to the Exchange, and after reporting, the Exchange will combine the positions in the related accounts for management. Actually controlling relationship is determined according to the Notice Concerning Regulatory Standards for

Accounts of Actually Controlling Relationship Under Measures
Against Abnormal Trading on Dalian Commodity Exchange.

98. Is large position report requirement is required for iron ore? If yes, what's the standard of large position report? How can an overseas client make large position reporting?

Large position report policy shall be followed in iron ore futures. When a client's speculative positions of a certain product satisfy no less than eighty (80) percent of the position limit of its positions as prescribed by the Exchange, the client shall report the information of its funds and positionsto the Exchange. The client must make the report through the futures company member. The overseas client who entrusts an overseas broker to engage in futures trading shall entrust its overseas broker to make the reporting, and the overseas broker shall entrust a futures company member to make the reporting.

99. Which clients need programmed trading reporting? How to make a report? What are the contents of reporting?

The clients planning to use or already using programmed trading shall make a report to the Exchange. The programmed trading shall refer to the trading method by which the computer automatically gives the trading signal or order as per the pre-set trading models of quotations analysis, risk management and other functions.

The clients shall make a report to the Exchange via futures company members; the overseas clients entrusting overseas brokers to work on futures trading shall entrust their overseas brokers for the purpose of report, and then these overseas brokers will entrust futures company members to make a report.

The contents of programmed trading mainly include: trading strategy, used software function, software access model, software provider, and remarks on compliance and manipulation, etc.

100. In case of any dispute between futures companies and overseas traders or overseas brokers, which units can this dispute be submitted to for mediation and treatment?

It's stipulated in Article 21 of *Interim Measures for Management of Trading Specified Domestic Futures Products by Overseas Traders and Brokers*, which in case of any dispute between futures companies and overseas traders or overseas brokers, the dispute may be submitted to China Futures Association, Futures Exchange and other mediation organizations for mediation and treatment.

101. What kind of punishment an overseas trader or overseas broker shall undertake when it engages in illegal business or has major operation risks, severely impairing China's futures market order and damaging the trader's lawful rights and interests?

When an overseas trader or overseas broker engages in illegal business or has major business risks, severely impairing China's futures market order and damaging the trader's lawful rights and interests, it shall be punished according to *Administrative Regulations on Futures Trading* when administrative penalty is needed; it shall be transferred to judiciary authorities according to law for investigation of criminal liability if it is suspected of committing a crime.

Annex 1: DCE Iron Ore Futures Contract

DCE Iron Ore Futures Contract

(As of 1809 contract)

Product	Iron Ore
Trading Unit	100MT/Contract
Price Quote	CNY/MT
Tick Size	0.5 CNY/MT
Daily Price Limit	4% of last settlement price
Contract Months	Monthly contracts (12 contracts per year)
Trading Hours	9:00 - 11:30 am, 1:30 - 3:00 pm Beijing Time, Monday - Friday, and other hours announced by DCE
Last Trading Day	10 th trading day of the delivery month
Last Delivery Day	3 rd trading day after the last trading day
Deliverable Grades	DCE Iron Ore Delivery Quality Standards (F/DCE I001-2017)
Delivery Location	The warehouses and delivery locations designated by DCE
Minimum Trading Margin	5% of the contract value
Delivery Form	Physical delivery
Ticker Symbol	I
Exchange	Dalian Commodity Exchange

Annex 2: DCE Iron Ore Delivery Quality Standard

DCE Iron Ore Delivery Quality Standard

(F/DCE I001-2017)

(In accordance with the DCE [2017] No. 276 Document,
this standard will be implemented as of the 1809 contract of iron ore.)

1. Content and Scope

1.1 The standard herein dictates the quality requirement, testing methods, inspection guidelines and transportation requirements for iron ore delivered at DCE.

1.2 The standard herein refers to mined natural iron ores made into fines and concentrates through crushing and screening that can be used to produce artificial lumps such as sinters and pellets.

1.3 The standard herein applies to iron ore products on par and substitutes delivered under the iron ore futures contract of DCE.

2. Cited Rules

The provisions of the following rules are incorporated herein by reference. For those rules noted with dates, their amendments (excluding corrections) and revised versions may not be applied to this standard; for those without noted dates, their latest versions shall be applied to this standard.

GB/T 10322.1-2000 Sampling and preparation of samples of iron ore

GB/T 6730.5-2007 Determination of total iron content of iron ore

GB/T 6730.62-2005 Determination of calcium, silicon, magnesium, titanium, phosphorus, manganese, aluminum and barium content of iron ore

GB/T 6730.61-2005 Determination of carbon and sulfur content of iron ore

GB/T 6730.54-2004 Determination of lead content of iron ore

GB/T 6730.53-2004 Determination of zinc content of iron ore

GB/T 6730.36-1986 Determination of copper content by atomic absorption spectrophotometry

GB/T 6730.45-2006 Determination of arsenic content of iron ore

GB/T 6730.69-2010 Determination of fluorine and chlorine content of iron ore

GB/T 6730.49-1986 Determination of sodium and potassium content

by atomic absorption spectrophotometry

GB/T 6730.22-1986 Determination of titanium content by diantipyrene methane photometry

GB/T 10322.7-2004 Determination of size distribution of iron ore by sieving

GB/T 10322.5-2000 Determination of moisture content of iron ore of a consignment

Terms and definitions under GB/T 20565 apply to this standard.

3. Terms and Definitions

Terms and definitions under this standard are in accordance with GB/T 20565

4. Quality Requirements

4.1 Par grade product quality requirements

Target	Quality Standard
Iron (Fe)	$\geq 62.0\%$
Silicon dioxide (SiO_2)	$\leq 4.0\%$
Aluminum oxide (Al_2O_3)	$\leq 2.5\%$
Phosphorus (P)	$\leq 0.07\%$
Sulfur (S)	$\leq 0.03\%$
Trace elements	Lead (Pb) $\leq 0.02\%$
	Zinc (Zn) $\leq 0.02\%$
	Copper (Cu) $\leq 0.20\%$
	Arsenic (As) $\leq 0.02\%$
	Titanium dioxide (TiO_2) $\leq 0.80\%$
	Chlorine + Fluorine $\leq 0.20\%$
	Potassium oxide (K_2O) + Sodium oxide (Na_2O) $\leq 0.30\%$
Grain size	Not more than 20% are broader than 6.3 mm and not more than 35% are finer than 0.15 mm

4.2 Substitute product quality allowances (premiums and discounts)

Target	Tolerance	Premium/Discount (CNY/MT)
Iron (Fe)	≥60.0%	≥60.0% & < 62.0%: -1.5 per 0.1% decrease
		> 62.0% & ≤65.0%: +1.0 per 0.1% increase
		> 65.0%: Pricing at 65.0%
Silicon dioxide (SiO ₂) + Aluminum oxide (Al ₂ O ₃)	≤8.5%	0
Silicon dioxide (SiO ₂)	≤6.5%	> 4.0% & ≤4.5%: -1.0 per 0.1% increase;
		> 4.5% & ≤6.5%: -2.0 per 0.1% increase (calculated accumulatively)
Aluminum oxide (Al ₂ O ₃)	≤3.5%	> 2.5% & ≤3.0%: -1.5 per 0.1% increase;
		> 3.0% & ≤3.5%: -3.0 per 0.1% increase (calculated accumulatively)
Phosphorus (P)	≤0.15%	> 0.07% & ≤0.10%: -1.0 per 0.01% increase
Sulfur (S)	≤0.20%	-1.0 per 0.01% increase
Grain size	Not less than 70% are finer than 0.075 mm	0

4.3 Iron ores are priced on dry basis, where the weight of moisture is deducted. The measured moisture rounded up to one decimal place shall be deducted when determining the weight of the delivered physical iron ores (e.g. 6.3% weight should be deducted for 6.32% moisture).

5. Testing Methods and Inspection Guidelines

5.1 Sampling and preparation of samples are subject to the standards in GB/T10322.1-2000;

5.2 Determination of iron content is subject to the standards in GB/T6730.5-2007;

5.3 Determination of silicon dioxide, aluminum oxide and phosphorus

contents are subject to the standards of GB/T6730.62-2005;

5.4 Determination of sulfur content is subject to the standards in GB/T6730.61-2005;

5.5 Determination of lead content is subject to the standards in GB/T 6730.54-2004;

5.6 Determination of zinc content is subject to the standards in GB/T 6730.53-2004;

5.7 Determination of copper content is subject to the standards in GB/T 6730.36-1986;

5.8 Determination of arsenic content is subject to the standards in GB/T 6730.45-2006;

5.9 Determination of fluorine content is subject to the standards in GB/T 6730.69-2010;

5.10 Determination of chlorine content is subject to the standards in GB/T 6730.69-2010;

5.11 Determination of potassium oxide content is subject to the standards in GB/T 6730.49-1986;

5.12 Determination of sodium oxide content is subject to the standards in GB/T 6730.49-1986;

5.13 Determination of titanium dioxide content is subject to the standards in GB/T 6730.22-1986;

5.14 Determination of grain size is subject to the standards in GB/T10322.7-2004;

5.15 Determination of moisture is subject to the standards in GB/T10322.5-2000.

6. Transportation Requirements

Iron ore products should be shipped in clean train carriages, vehicle carriages, steamship holds or other means of transport.

7. Additional Note

7.1 The standard is subject to the interpretation of DCE.



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Disclaimer

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