

China Futures Market Legal Framework and DCE Rules System

Legal and Compliance Department
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Building a Diversified, Open and World-class Derivatives Exchange

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01 Overview of China Futures Market Legal Framework

02 Brief Introduction to DCE Rules System

China Futures Market Legal Framework

Regulation on the Administration of Futures Trading, *promulgated by the State Council, the highest-level specialized futures legal document in the China futures market.*

Departmental regulations and regulatory documents , *promulgated by the China Securities Regulatory Commission (CSRC) and other relevant departments, refining and supplementing the Regulation on the Administration of Futures Trading.*

Self-discipline rules, *promulgated by Futures Exchanges and China Futures Association.*

As the highest-level legal document in the current Chinese futures market legal system, Regulation on the Administration of Futures Trading has been revised four times in 2012, 2013, 2016 and 2017 since it was enacted in 2007.

It regulates futures trading behavior, strengthens the supervision and management of futures trading, maintains the order of the futures market, and protects the legitimate rights and interests of all parties in the futures trading.

Chapter	
Chapter I	General Provisions
Chapter II	Futures Exchanges
Chapter III	Futures Companies
Chapter IV	Basic Rules on Futures Trading
Chapter V	Futures Association
Chapter VI	Supervision and Administration
Chapter VII	Legal Liabilities
Chapter VIII	Supplementary Provisions

Measures for the Administration of Futures Exchanges, as one of the most important departmental regulations in the futures market, specifically strengthens the supervision and management of the futures exchanges, clarifies the responsibilities of the futures exchanges, maintains the order of the futures market, and promotes the positive and stable development of the futures market .

Chapter	
Chapter I	General Provisions
Chapter II	Establishment, Modification and Termination
Chapter III	Organizational Structure
Chapter IV	Management of Members
Chapter V	Basic Business Rules
Chapter VI	Supervision and Administration
Chapter VII	Legal Liabilities
Chapter VIII	Supplementary Provisions

Key Articles

Article 3 The CSRC and the local offices thereof shall oversee and regulate trading in designated domestic futures products by foreign traders and foreign brokerage agencies according to the law.

Futures exchanges shall conduct self-regulation of trading in designated domestic futures products and relevant business activities in accordance with the self-regulatory rules.

Article 5 Foreign traders may commission domestic futures companies (hereinafter referred to as “futures companies”) or foreign brokerage agencies to engage in trading in designated domestic futures products.

With the approval of futures exchanges, qualified foreign traders may directly engage in trading in designated domestic futures products at futures exchanges.

Foreign traders that may directly trade at futures exchanges as mentioned in the preceding paragraph shall meet the following conditions:

- (1) The countries (or regions) where they are located have sound laws and regulatory rules.
- (2) They are financially stable, have a good credit standing, and have sufficient operating capital.
- (3) They have sound governance structures and internal control rules, and their operating activities are in compliance with regulations.
- (4) Other conditions as set out by futures exchanges.

Article 26 The trading and settlement software of foreign traders and foreign brokerage agencies that directly trade at futures exchanges shall satisfy the risk management requirements of futures exchanges and the CSRC requirements for the safe custody of margin. Otherwise, the CSRC shall have the power to ask the foreign traders and foreign brokerage agencies to improve or replace their software.



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Bylaws & Trading Rules

Formulation and revise procedure:
Reviewed by the Members' Meeting
and reported to the CSRC for approval.

The **Bylaws of Dalian Commodity Exchange** prescribes the organizational structure, business scope and basic responsibilities of the Exchange.

The **Trading Rules of Dalian Commodity Exchange** is the governing rule of detailed rules and business measures of the Exchange, covering many aspects such as products and contracts, trading, settlement, delivery, risk control and so on.

Detailed Rules & Contracts

Formulation and revise procedure:
Reported to the CSRC in advance and
reviewed by the Board of Governors.

Detailed Rules include **19 General Rules for Trading** and **20 Detailed Rules for Specific Futures Products**. **General Rules for Trading** are general provisions related to different futures business, and **Detailed Rules for Specific Futures Products** are the specific provisions for 20 different futures products

Contracts include **20 futures contracts** and **7 options contracts**.



Business Measures

Formulation and revise procedure:
Approved by CEO.

The **Business Measures** are the interpretation and supplement to the Detailed Rules and OTC rules. There are 16 business measures in force.

Chapter

Chapter 1 General Provisions

Chapter 2 Incorporation, Modification and Termination

Chapter 3 Members

Chapter 4 Members' Meeting

Chapter 5 Board of Governors

Chapter 6 Senior Executives

Chapter 7 Board of Supervisors

Chapter 8 Business Management

Chapter 9 Financial Management

Chapter 10 Sanctions and Dispute Settlement

Chapter 11 Supplementary Provisions

Article 18 The Members shall be classified into Futures Company Members and Non-Futures Company Members.

Article 32 The Members' Meeting is the authority of the Exchange and consists of all the Members.

Article 38 The Board of Governors is the permanent organ of the Members' Meeting and is accountable to the Members' Meeting.

Article 52 The Board of Supervisors is the supervisory organ of the Exchange and is accountable to the Members' Meeting.

Trading Rules of DCE

Chapter 1 General Provisions

Chapter 2 Products and Contracts

Chapter 3 Brokerage and Proprietary Trading

Chapter 4 Trading Business

Chapter 5 Risk Control

Chapter 6 Clearing Business

Chapter 7 Delivery Business

Chapter 8 Handling of Abnormalities

Chapter 9 Information Disclosure and Management

Chapter 10 Supervision and Management

Chapter 11 Dispute Settlement

Chapter 12 Supplementary Provisions

Article 64 The Exchange carries out centralized clearing of the futures trading as a central counterparty.

Article 65 The Exchange implements the margin mechanism.

Article 70 The Exchange implements mark-to-market mechanism.

Article 78 The delivery of the futures trading shall be organized by the Exchange.

Article 79 The delivery may take the form of physical delivery or other methods specified by the Exchange.

Article 81 The Exchange may implement the bonded delivery mechanism. The bonded delivery mechanism shall be prescribed by the Exchange in the detailed implementation rules.

General Rules for Trading

Measures for Trading Management of DCE	Measures for Clearing Management of DCE
Measures for Delivery Management of DCE	Measures for Risk Management of DCE
Management Measures on Futures Trader Suitability of DCE	Measures against Rule Violations of DCE
Measures for Administration of the Futures Company Members Entrusted by Overseas Brokers with Futures Trading Business of Specified Domestic Futures Products	Regulatory Standards and Handling Procedures for the Measures for Administration of Abnormal Trading of Dalian Commodity Exchange (For Trial Implementation)
Measures for Designated Delivery Warehouses Management of DCE	Measures for Administration of Abnormal Trading of Dalian Commodity Exchange (For Trial Implementation)
Measures for Standard Warehouse Receipt Management of DCE	Measures for Designated Depository Banks Management of DCE
Measures for Arbitrage Trading Management of DCE	Management Measures of DCE for Accounts Involving Actual Control Relationship
Measures for Hedging Management of DCE	Measures for Market Maker Management of DCE
Measures for Membership Management of DCE	Measures for Information Management of DCE
Measures for Management of Options Trading of DCE	

General Rules for Trading	Articles
Measures for Trading Management of DCE	<p>Article 47 An overseas client that intends to conduct futures trading may complete the account-opening formalities through the following two methods:</p> <p>(1) in case the client entrusts a Futures Company Member to conduct the trading, the account-opening formalities shall be handled by the Futures Company Member and the application for a trading code shall be filed thereto; or</p> <p>(2) in case the client entrusts an overseas broker to conduct the trading through the sub-entrustment of a Futures Company Member, the account-opening formalities shall be handled by the overseas broker and the application for a trading code shall be filed thereto.</p>
Measures for Clearing Management of DCE	<p>Article 6 The Exchange, as a central counterparty, shall conduct centralized clearing with respect to the futures trading, and be responsible for the margin management, the risk reserves management and the prevention of the clearing risks with respect to the futures trading.</p>

General Rules for Trading	Articles
Measures for Delivery Management of DCE	<p>Article 3 The Physical Delivery of the clients shall be handled by the Members and carried out in the name of the Members at the Exchange. Where a client engages an overseas broker to carry out the futures trading, it shall engage its overseas broker to handle the delivery. The overseas broker shall then engage the Member to handle such delivery and in the name of the Member at the Exchange.</p> <p>Article 6 Delivery shall be prohibited with respect to any individual client's positions or any non-integral multiple of delivery units of the positions of coke, coking coal, iron ore or No.2 soybean.</p>
Management Measures on Futures Trader Suitability of DCE	<p>Article 2 Trading of options contracts and specified domestic futures contracts on the Exchange shall be subject to the suitability rules.</p> <p>Article 17 The Traders shall comply with the principle of "taking sole responsibility for one's deeds of purchase or sale" and undertake the obligations with respect to the futures trading. The Traders shall not refuse to perform their obligations with respect to the futures trading on account of failure to meet the suitability standards.</p>

Detailed Rules for Specific Futures Products

Detailed Rules of No.1 Soybean Futures of DCE

Detailed Rules of Iron Ore Futures of DCE

Detailed Rules of No.2 Soybean Futures of DCE

Detailed Rules of Egg Futures of DCE

Detailed Rules of Soybean Meal Futures of DCE

Detailed Rules of Fiberboard Futures of DCE

Detailed Rules of Soybean Oil Futures of DCE

Detailed Rules of Blockboard Futures of DCE

Detailed Rules of RBD Palm Olein Futures of DCE

Detailed Rules of Polypropylene Futures of DCE

Detailed Rules of Corn Futures of DCE

Detailed Rules of Corn Starch Futures of DCE

Detailed Rules of Linear Low Density Polyethylene
Futures of DCE

Detailed Rules of Ethylene Glycol Futures of DCE

Detailed Rules Polyvinyl Chloride Futures of DCE

Detailed Rules of Polished Round-grained Rice
Futures of DCE

Detailed Rules of Coke Futures of DCE

Detailed Rules of Ethenylbenzene Futures of DCE

Detailed Rules of Coking Coal Futures of DCE

Detailed Rules of Liquefied Petroleum Gas Futures
of DCE

Chapter

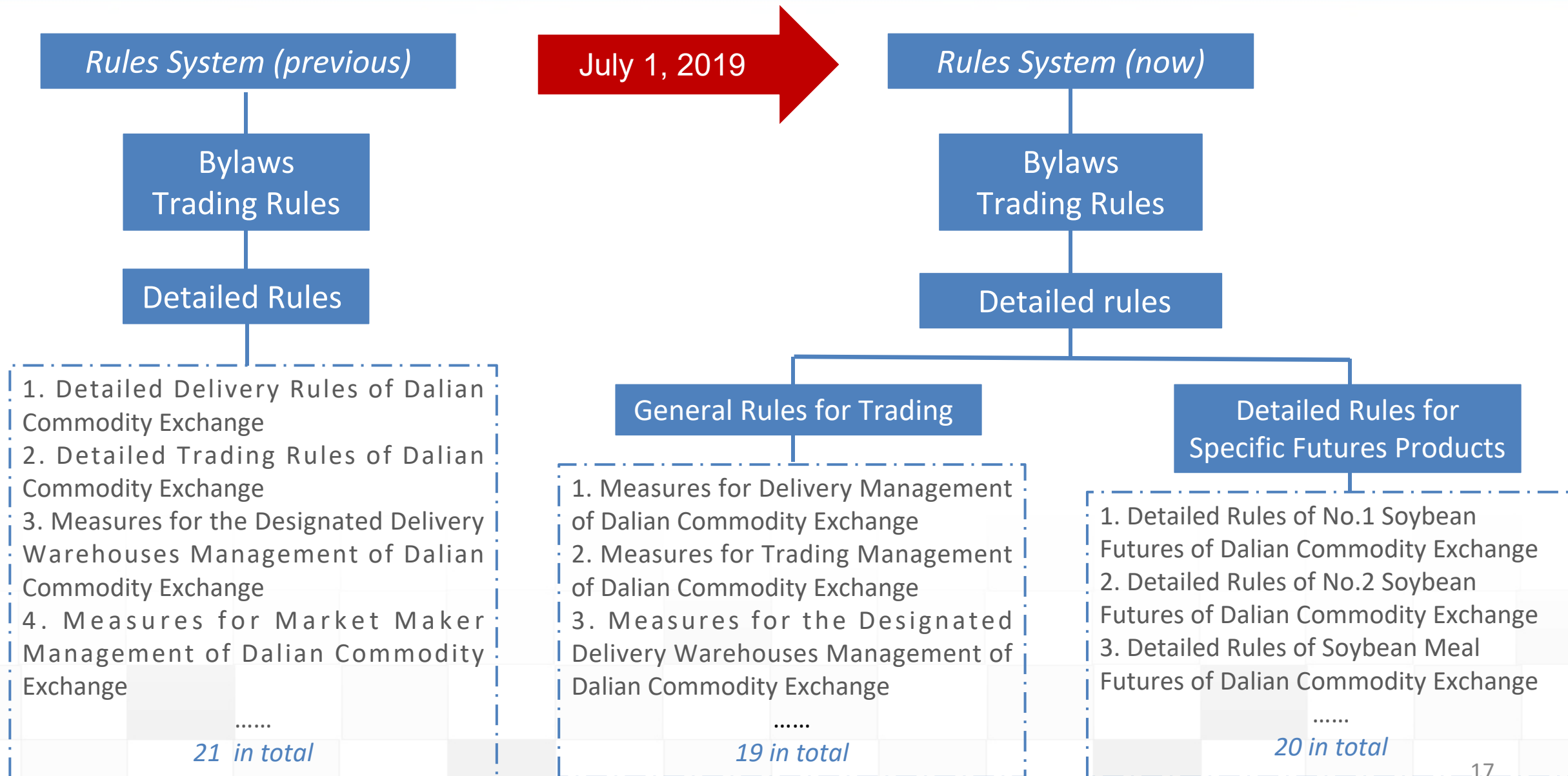
Contents

Chapter I General Provisions	basis of formulation, scope of application, and cohesive terms
Chapter II Main terms and relevant parameters of the contract	delivery quality standard, delivery method, delivery warehouse list, contract month, etc.
Chapter III Delivery and Clearing	Section I "General Provisions": delivery process, warehouse receipt type, invoice, etc. Section II "Standard warehouse receipt delivery": quality inspection, warehouse receipt registration and cancellation, delivery of goods, etc.
Chapter IV Bonded Standard Warehouse Receipt	Section I Generation of Bonded Standard Warehouse Receipt Section II Circulation of Bonded Standard Warehouse Receipt Section III Bonded EFPs Section IV One-off Delivery of Bonded Standard Warehouse Receipt Section V Bonded Standard Warehouse Receipt of Iron Ore Used as Margins and OTC Pledge Section VI Deregistration of Bonded Standard Warehouse Receipt
Chapter V Bill of Lading Delivery	content of iron ore bill of lading, process of bill of lading delivery
Chapter VI Brand Dispute	application of objection, dispute fee, determination on authenticity of the brand
Chapter VII Supplementary Provisions	violation, interpretation, implementation date

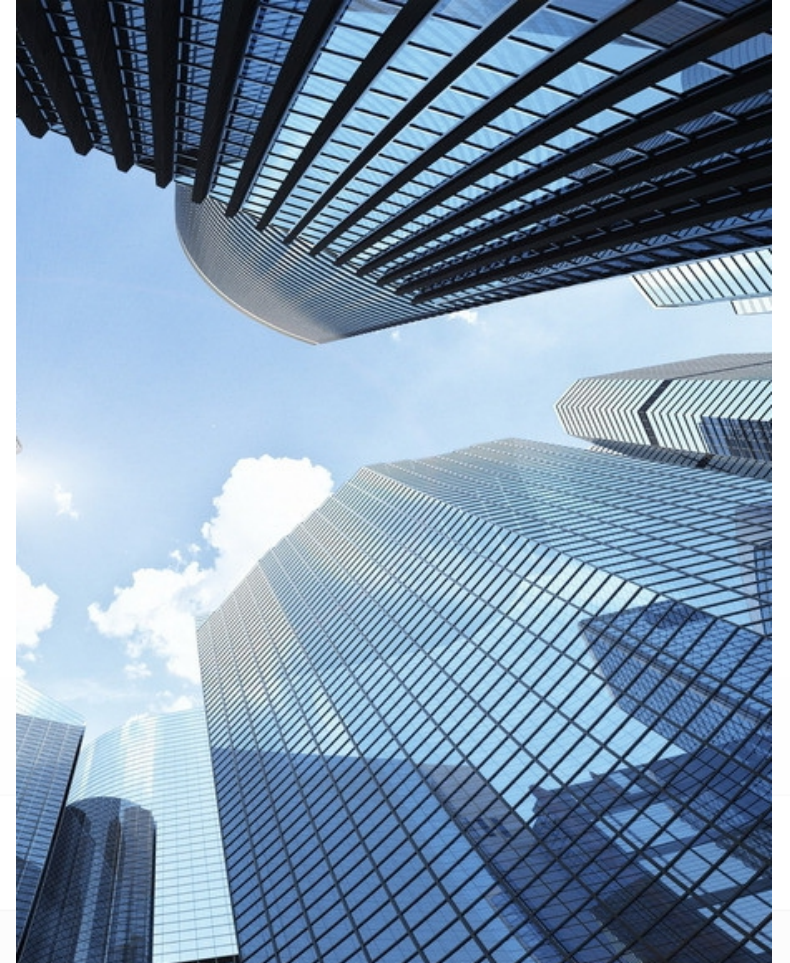
Trial Measures for Determination of Iron Ore Brands of Dalian Commodity Exchange

Chapter	Contents
Chapter I General Provisions	Purpose of formulation, scope of application, etc.
Chapter II Application and Examination & Approval of Alternative Members	Conditions of the Alternative Member, Application materials, term of office, etc.
Chapter III Workflows	Responsibilities of the Investigation Group; formation of the Investigation Group; submission of investigation report, etc.
Chapter IV Supervision and Management	Circumstances of membership cancellation; automatically disqualified Member, etc.
Chapter V Supplementary Provisions	interpretation, implementation date, etc.

The Change of DCE Rules System



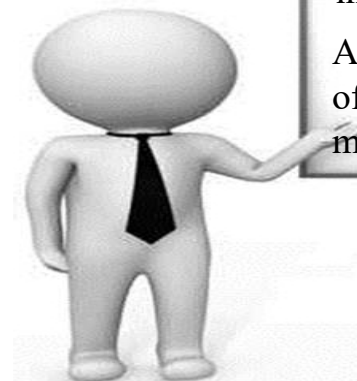
- 1 The scientific rules system is an important footstone for promoting the establishment of the international first-class exchange and the international pricing center of iron ore futures .
- 2 In the previous rules system, the general provisions were mixed with the specific provisions, resulting in the increasingly complicated rules, lack of stability and flexibility, which cannot meet the needs of the futures market development.
- 3 The internationalization of the futures market needs the rules system to be easy for the international market to understand and accept.



1 The specific provisions of each product are removed and the corresponding articles are supplemented with cohesive terms.

1. Detailed Trading Rules of Dalian Commodity Exchange
2. Detailed Clearing Rules of Dalian Commodity Exchange
3. Detailed Delivery Rules of Dalian Commodity Exchange
4. Measures for Management of Standard Warehouse Receipt of Dalian Commodity Exchange
5. Measures for the Designated Delivery Warehouses Management of Dalian Commodity Exchange
- 6. Detailed Implementation Rules for Bonded Delivery of Dalian Commodity Exchange**

Chapter
Chapter I General Provisions
Chapter II Exchange of Futures for Physicals
Chapter III Bill of Lading Delivery
Chapter IV Rolling Delivery
Chapter V One-off Delivery
Chapter VI Delivery of No. 1 Soybean
Chapter VII Delivery of No. 2 Soybean
Chapter VIII Delivery of Soybean Meal
Chapter IX Delivery of Soybean Oil
Chapter X Delivery of RBD Palm Olein
.....
Chapter XXII Delivery of Ethylene Glycol
Chapter XXIII Delivery Fees
Chapter XXIV Delivery Default
Chapter XXV Supplementary Provisions



There are twenty-five chapters and 352 articles in the Detailed Delivery Rules.

As the number of products increases, the number of chapters and articles will continue to go up, making the Rules more and more complicated.



Detailed Rules for Specific Futures Products
Detailed Rules of No.1 Soybean Futures of DCE
Detailed Rules of No.2 Soybean Futures of DCE
Detailed Rules of Soybean Meal Futures of DCE
Detailed Rules of Soybean Oil Futures of DCE
Detailed Rules of RBD Palm Olein Futures of DCE
.....
Detailed Rules of Ethylene Glycol Futures of DCE

How was the rules system optimized

2

Standardize the name of some rules

Detailed Trading Rules of Dalian Commodity Exchange



Measures for Trading Management of Dalian Commodity Exchange

Detailed Clearing Rules of Dalian Commodity Exchange



Measures for Clearing Management of Dalian Commodity Exchange

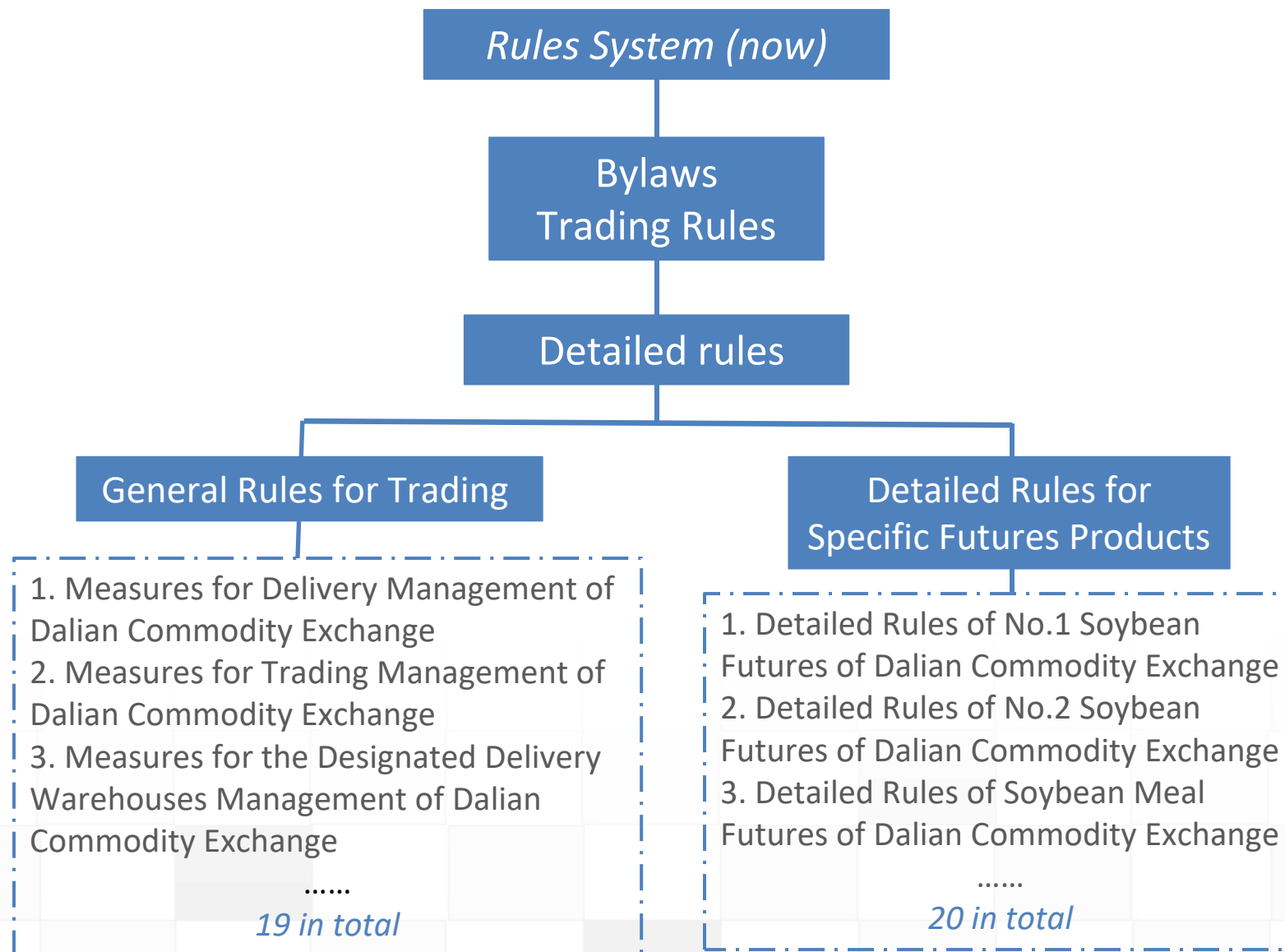
Detailed Delivery Rules of Dalian Commodity Exchange




Measures for Delivery Management of Dalian Commodity Exchange



Chapter	Contents
Chapter 1 General Provisions	basis of formulation, scope of application, and cohesive terms
Chapter 2 Main terms and relevant parameters of the contract	delivery quality standard, delivery method (physical delivery), delivery warehouse list, contract month, etc.
Chapter 3 Delivery and Clearing	Section 1 "General Provisions": delivery process, warehouse receipt type, packaging, invoice, delivery fee, etc. Section 2 "Standard warehouse receipt delivery": quality inspection, warehouse receipt registration and cancellation, delivery of goods, etc.
Chapter 4 Supplementary Provisions	Violation, interpretation, implementation date





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[→ Bylaws of Dalian Commodity Exchange](#)

[Trading Rules](#) [General Rules for Trading](#) [Detailed Rules for Specific Futures Products](#)

- [→ Detailed Rules of Liquefied Petroleum Gas Futures of Dalian Commodity Exchange](#)
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- [→ Detailed Rules of No. 2 Soybean Futures of Dalian Commodity Exchange](#)
- [→ Detailed Rules of No.1 Soybean Futures of Dalian Commodity Exchange](#)



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Iron Ore Futures



Agricultural

Corn Corn Starch No.1 Soybean Egg
No.2 Soybean Soybean Meal Soybean Oil
RBD Palm Olein Fiberboard Blockboard
Soybean Meal Options Corn Options
Polished Round-grained Rice

Quotes

Delayed Quotes

Real-time

Day

Weekly

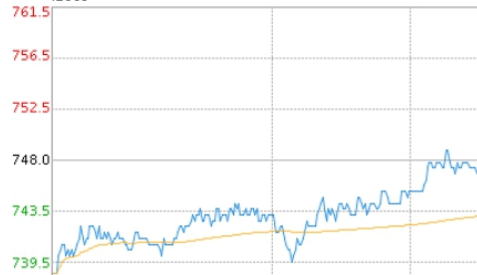
5 minutes

15 minutes

30

Volume:808895 Open Interest:785962 Change: -0.4%

i2009



Contract Information

DCE Iron Ore Delivery Quality Standard

Iron Ore Futures Contract of Dalian Commodity Exchange ("DCE")

Product	Iron Ore
Trading Unit	100 MT/Lot
Price Quote Unit	CNY/MT
Minimum Tick Size	0.5 CNY/MT
Daily Price Limit Range*	4% of last settlement price
Contract Months	Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec
Trading Hours	9:00 - 11:30 a.m., 1:30 - 3:00 p.m., Beijing Time, Monday to Friday, and other trading hours announced by DCE
Last Trading Day	The 10th trading day of the contract month
Last Delivery Day	The 3rd trading day after the last trading day
Deliverable Grades	Iron Ore Delivery Quality Standard of DCE (F/DCE I001-2017)
Delivery Point	The delivery warehouses and delivery locations of iron ore designated by DCE
Minimum Trading Margin*	5% of the contract value
Delivery Form	Physical delivery
Ticker Symbol	I
Listed Exchange	DCE

Thank You For Your Attention



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