

# Trading at DCE

Trading Department, DCE  
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*Building a Diversified, Open and World-class Derivatives Exchange*

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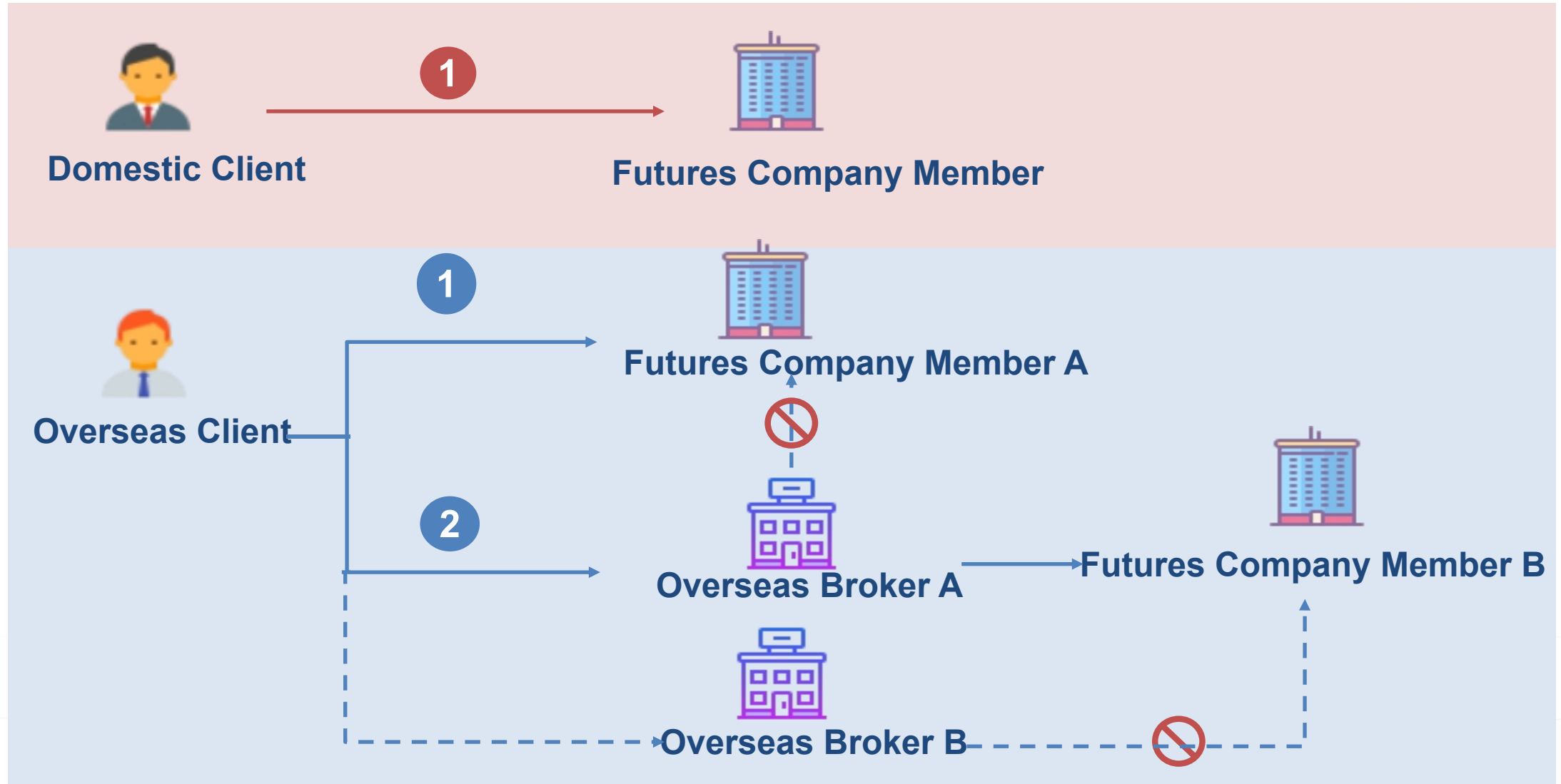
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- Trading Code
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## DCE implements the trading code mechanism.

- the special code which is distributed by the Exchange to the Non-Futures Company Members and/or the clients.

- *Futures Company Members and Overseas Brokers shall conduct the account-opening and other formalities for their clients, and apply for **an exclusive trading code** for each client. Any mixed-code trading shall be prohibited.*
- *The trading code is comprised of the member number and the client number.*
- *In respect of the trading codes of the same client, only the Member numbers will be different and the client numbers must be the same.*
- *One client can only have one client number in the Exchange but may open different accounts at different Futures Company Members and overseas brokers.*



## Trading Seats

- the channel where the Member inputs the trading orders into the Exchange's electronic trading system to participate in the trading.
  - **floor trading seats & remote trading seats**
- *The Member will obtain one (1) floor trading seat after obtaining its membership. The number of the trading seats may be increased after being approved by the Exchange.*
  - *The increase of trading seats for a Member merely refers to the increase of the Member's trading channels. The Exchange's management rules for such Member's position limit, risk control and otherwise shall remain unchanged.*



## Night/Day Trading Period

- There shall be **five (5) trading days** (except for the national statutory holidays) with respect to the futures trading in each week.
- Each trading day shall be divided into the **night trading period** and **day trading period**.

	Trading Period	Trading Sessions	Time Hours
One Trading Day	Night Trading Period	Night Trading Session	21:00-23:00
	Day Trading Period	The First Session	9:00-10:15
		The Second Session	10:30-11:30
		The Third Session	13:30-15:00

- The night trading shall be conducted solely through the remote trading seats.

## Time of Call Auction

**Products –  
only day  
trading period:**

**Call Auction (5Minute) Day Trading Period**

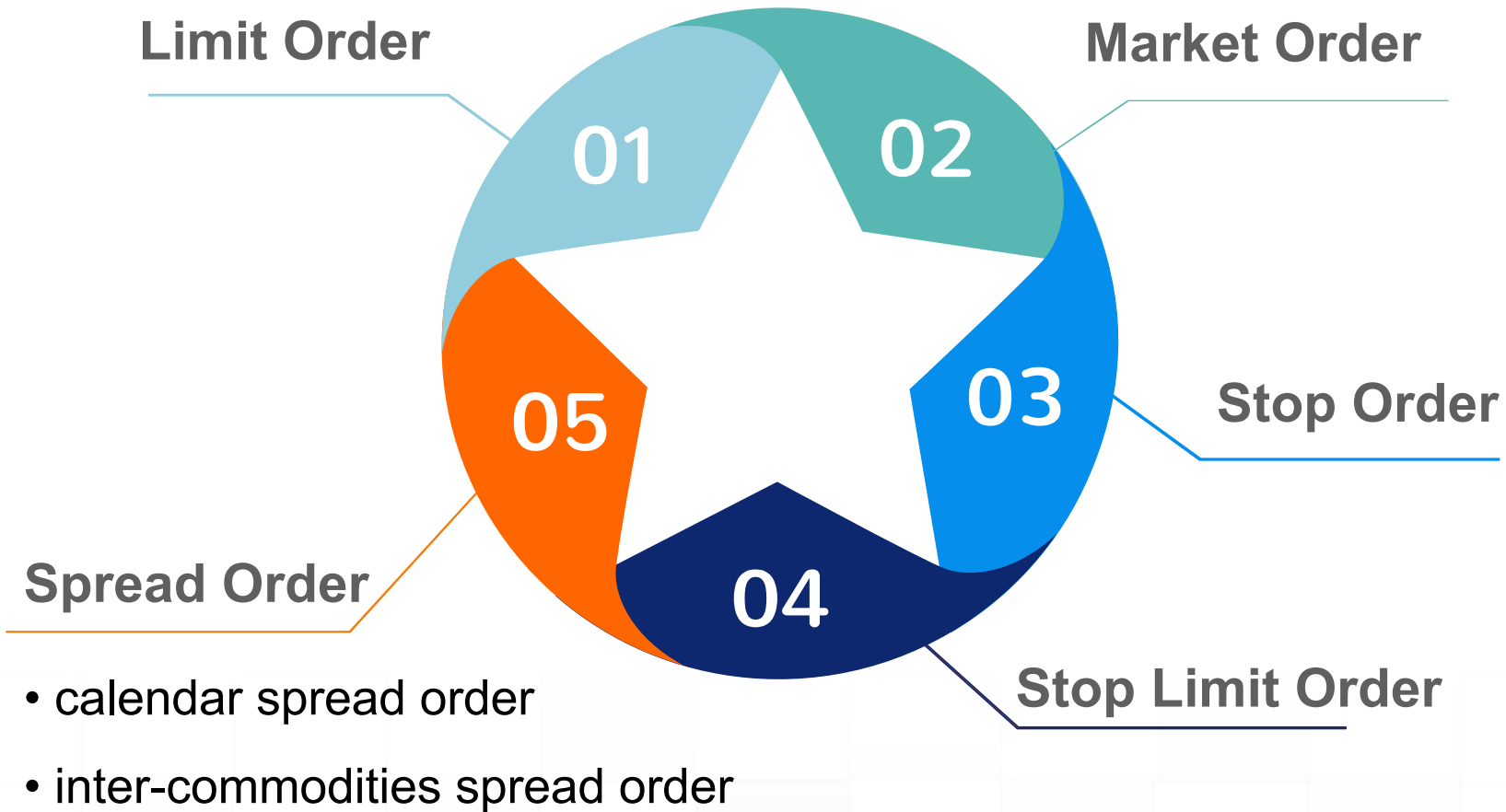
Auction: Placing Orders	Auction: Matching	Continuous Trading
8:55-8:59	8:59-9:00	9:00-10:15.....

**Products -  
night & day  
trading period:**

**Call Auction (5Minites) Night Trading Period Day Trading Period**

Auction: Placing Orders	Auction: Matching	Continuous Trading
20:55-20:59	20:59-21:00	21:00-23:00.....





The market order and the limit order may be attached with FOK (Fill or Kill) and FAK (Fill and Kill).

# Matching Principle of Call Auction

The price generated during the auction shall result in the **maximum trading volume**.

Bids	Quantity	Price	Quantity	Offers
	5	Price 8		
	5	Price 7		
	6	Price 6	5	
	2 ← 6 → 4	Price 5	5	
	4	Price 4	2	
		Price 3	3	
		Price 2	5	
		Price 1	5	

The orders not executed in the auction shall automatically participate in the continuous trading after the market opens

## Price priority and time priority

- *The Exchange's computer order-matching system shall order the bids and offers under the **principle of price priority and time priority**, and the trade will be executed by automatic order-matching when the bid price is higher than or equal to the offer price.*

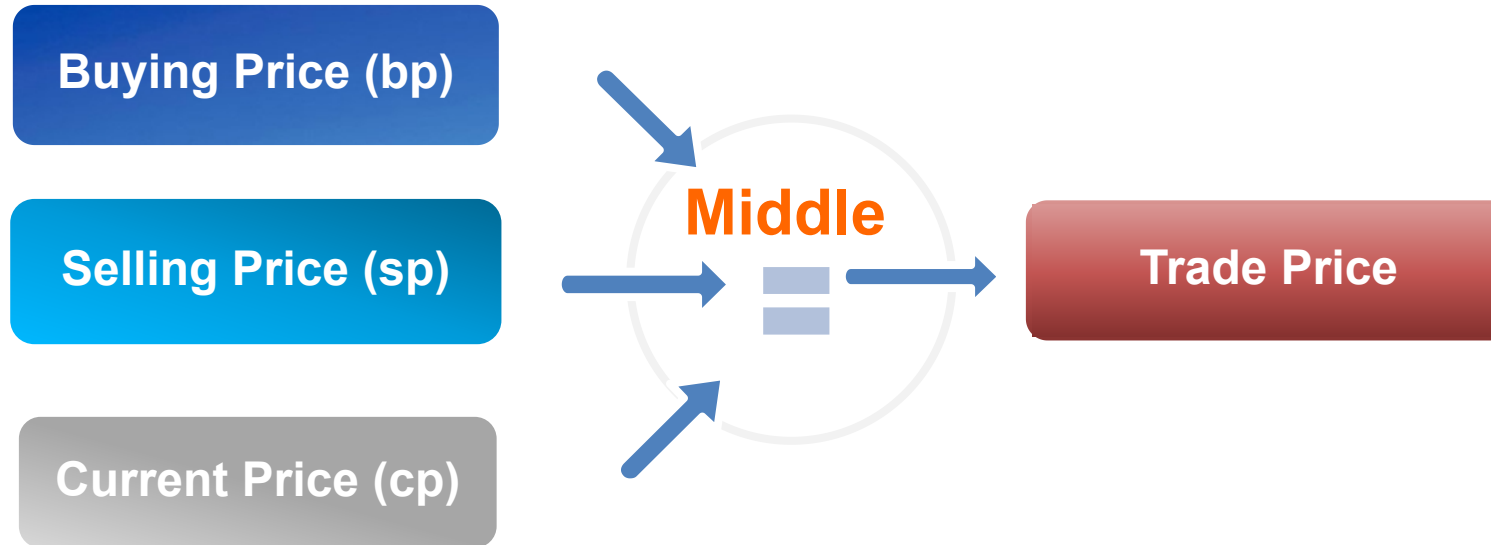
## First open and First closed

- *The liquidation order for the same open contracts under the same trading code shall be executed based on the opening time and follow the principle of **"first open, first closed"**.*

## Liquidation priority and time priority

- *Orders placed at the price limits shall be executed under the principle of **liquidation priority and time priority**, and the Exchange's forced liquidation orders shall prevail over other liquidation orders.*

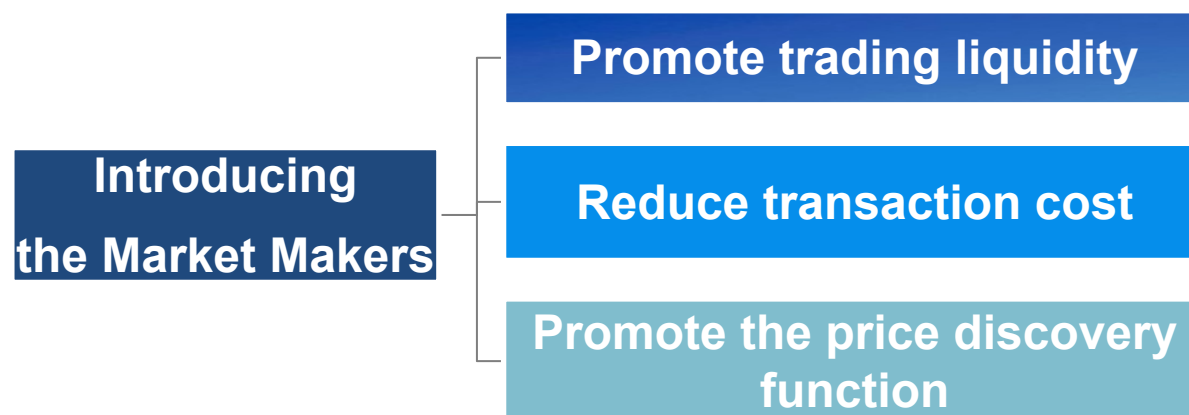
# Trade price of Continuous Trading



- If  $bp \geq sp \geq cp$ , the last price =  $sp$ ;
- If  $bp \geq cp \geq sp$ , the last price =  $cp$ ;
- If  $cp \geq bp \geq sp$ , the last price =  $bp$ .

Buying Price	Selling Price	Current price	Last Price
1996	1994	1992	1994
1996	1990	1995	1995
1996	1995	1998	1996
1996	1998	1995	Not executed
1996	1998	1997	Not executed
1996	1997	1998	Not executed

- **The Market Maker:** a legal person or non-legal-person organization approved by the Exchange to provide bilateral quotations and other services to the futures and options contracts of the designated products.



- *dedicated market making trading code*
- *through Futures Company Members*
- *manage the qualifications of the Market Makers based on products*
- *evaluate and rank the market making performance of the Market Makers*

## Obligations

- continuous quotation;
- response quotation;
- other obligations

## Rights

- a reduction of trading commissions
- other rights

## Market Maker's bilateral quotations

**Continuous Quotation**

**Response Quotation**

- the contract symbol, bid price, ask price and the quantities of bilateral quotation
- submitted as price limit orders

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- Options Contract
- Trading of Options
- Exercise & Fulfillment
- Clearing of Options
- Risk management measures of Options

## 7 Options Products



**Soybean Meal Options**



**Corn Options**



**Iron Ore Options**



**LPG Options**



**PP Options**



**LLDPE Options**



**PVC Options**

Underlying Asset	Iron Ore Futures Contract
Type of Contract	Call Options, Put Options
Trading Unit	One lot (100 MT) iron ore futures contract
Quote Unit	CNY / MT
Minimum Tick Size	0.1 CNY / MT
Price Limit Range	The same with that of iron ore futures contract
Contract Months	Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, and Dec
Trading Time	09:00 - 11:30 and 13:30 - 15:00 every Monday to Friday, other time specified by the Exchange
Last Trading Day	The 5th trading day in the month preceding the delivery month of the underlying futures contract
Expiration Date	The same with the last trading day
Exercise Prices	<p>The exercise prices cover the range that the settlement price of iron ore futures contract on the last trading day plus or minus 1.5 times of the price limit range on that day. (CNY/MT)</p> <ul style="list-style-type: none"> <li>Exercise Price <math>\leq 300</math> , exercise price interval = 5</li> <li><math>300 &lt; \text{Exercise Price} \leq 1000</math> , exercise price interval = 10</li> <li>Exercise Price <math>&gt; 1000</math> , exercise price interval = 20</li> </ul>
Exercise Style	American Style: the buyer can exercise at any trading time before the expiration date or before 15:30 on the expiration date.
Trading Code	<p>Call Options: I-Contract Month-C-Exercise Price</p> <p>Put Options: I-Contract Month-P-Exercise Price</p>
Listed Exchange	DCE

## Trading Orders

- The Exchange may provide the limit order and the stop limit order for options contracts
- The limit order may be attached with FOK(Fill or Kill ), or FAK (Fill and Kill )

## Quotation Enquiry

- The Non-Futures company Member or the client may **submit a quotation enquiry** to the market maker, and such quotation enquiry shall specify the contract symbol of the Options Contract.
- The Exchange may adjust the contract and time of the quotation enquiry subject to market conditions.

## Close out Options Positions

- **Options buyers:** liquidation, exercise and abandonment; **Options Sellers:** liquidation, fulfillment
- Apply to hedge the long and short positions of the same contract under the same trading code

- The exercise and fulfillment by a client shall be made **through a Member** and shall be handled at the Exchange in the name of the Member.
- The options buyer's fund balance shall **meet the requirements of futures trading margin.**
- After the market close of the daily trading, the Exchange shall assign the exercise application under the principle of "uniform random selection".
- After the exercise and fulfillment of the options, the options buyer and seller obtain the futures position **at the exercise price**
- The options buyer/seller may **apply for hedging** liquidation of the long and short futures positions after the exercise/fulfillment under the same trading code
- The hedging quantity shall not exceed the futures' open interest obtained from the exercise/fulfillment

- A Member conducting the options trading shall use **the same dedicated settlement account and the same dedicated funds account** for the futures trading.

## Premium & Margin

- *The buyer shall pay the premium and shall not pay trading margin, while the seller shall receive the premium and pay the trading margin.*
- *The premium is based on the trade price when the client opens a position or closes a position.*
- *Open the positions: trading margin from the options seller is based on the amount of the options contract margin at the clearing of the previous trading day*
- *Liquidate the positions: release the trading margin of the option contract*

## Settlement Price

- **Last trading Day:**
  - *Call options: Settlement Price=Max (The settlement price of the underlying futures contract - the exercise price, Minimum Tick Size )*
  - *Put options: Settlement Price=Max (The exercise price - the settlement price of the underlying futures contract, Minimum Tick Size)*
- **Except for the last trading day:**
  - *The theoretical price based on the implied volatility*





## Single Short Options Contract

- The **greater** of the following standard:  
*(1) the settlement price of the option contract  $\times$  the trading unit of the underlying futures contract + the trading margin of the underlying futures contract - (1/2)  $\times$  the out-of-the-money amount of the options;*  
*(2) the settlement price of the option contract  $\times$  the trading unit of the underlying futures contract + (1/2)  $\times$  the trading margin of the underlying futures contract.*

## Options Portfolio Strategies

- **Margin concessions :**
  - *Straddle*
  - *Strangle*
  - *Vertical Spread Strategy*
  - *Options Locked Strategy*
  - *Options and Futures Strategy*

## Position Limits

The maximum quantity of the **speculative position of the option contracts in a particular month** as prescribed by the Exchange.

- *Options contract and Futures contract implements the position limits separately.*
  - Open interest of **long call + short put**
  - Open interest of **long put + short call**
- *Hedgers, arbitragers and Market Makers may apply to different position limit*

## Price Limits

The price limit range of the options is the same with the price limit range of the underlying futures

- *The upper price limit = settlement price of the immediately preceding trading day of the options contract+ price limit range of the underlying futures contract;*
- *The lower price limit = Max (settlement price of the immediately preceding trading day of the options contract- price limit range of the underlying futures contract , Minimum Tick Size).*

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- Any Futures Company Member or overseas brokers shall evaluate the Traders' knowledge and risk tolerance on futures trading, and **provide proper products to proper clients** accordingly.
- The purposes is to promote the traders to rationally participate in futures trading, protect the legitimate rights and interests of the Traders and secure the stable, standardized and healthy development of the futures market.



# Requirements of Suitability Assessment

## Basic Knowledge

- **Knowledge test**

- take the online test on China Futures Association's examination platform with test score not less than **80** ;

- **Letter of commitment**

- overseas clients may demonstrate their level of knowledge on futures trading by issuing a **letter of commitment**

## Available Funds Balance of Margin Account

- the daily available funds balance in the margins account being **no less than CNY one hundred thousand (100,000) or equivalent foreign currency for the five (5) consecutive trading days** preceding the application for the trading code or trading authority;.

## Compliance and Integrity

- the account opening institution shall carry out comprehensive assessment over the client's **compliance and credit** conditions.

## Trading Experience

- **Simulated trading experience**

- records of **(20) or more executed orders** within a total of no less than ten **(10) accumulative trading days** of simulated futures or options trading

- **Domestic trading experience**

- records of **ten (10) or more executed orders** in the trading of futures, options or any other centrally cleared derivative on any domestic trading venue **within the last three (3) years**

- **Overseas trading experience**

- records of **ten (10) or more executed orders** in the trading of futures, options or any other centrally cleared derivative **within the last three (3) years** on any of the overseas trading venues regulated by its competent futures regulatory authority which has entered into a memorandum of understanding on regulatory

## Internal Control for institutional Clients

- having sound internal control policy, risk management policy and other futures trading management policies



**Some scenarios that clients might be exempt from part of the suitability assessment:**

*The clients in the following conditions:*

- (1) *client having obtained the trading authority of contract subject to suitability rules listed on other domestic commodity futures exchanges;*
- (2) *client having obtained a trading code for trading in financial futures;*
- (3) *client having obtained the trading authority of options on domestic stock exchanges;*
- (4) *client having obtained the trading authority of contract subject to Suitability rules and listed on the Exchange, and applied for the trading authority of other contract listed on the Exchange.*

*The clients in the following conditions:*

- (1) **professional investor** as defined in the Measures for Management of Suitability of Securities and Futures Investors;
- (2) client **applying for trading authority of the same contract through a different Account-opening Institution;**
- (3) client having records of executed orders of recognized trading records **for no less than 50 accumulative trading days** during the last year
- (4) market maker, special institutional investor or any other Trader recognized by the Exchange.



- Trading Rules of Dalian Commodity Exchange
- Measures for Trading Management of Dalian Commodity Exchange
- Measures for Management of Options Trading of Dalian Commodity Exchange
- Measures for Market Maker Management of Dalian Commodity Exchange
- Management Measures on Futures Trader Suitability of Dalian Commodity Exchange
- Business Guidance for Futures Trader Suitability of Dalian Commodity Exchange

# Thank You For Your Attention



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