

DCE Iron Ore Futures



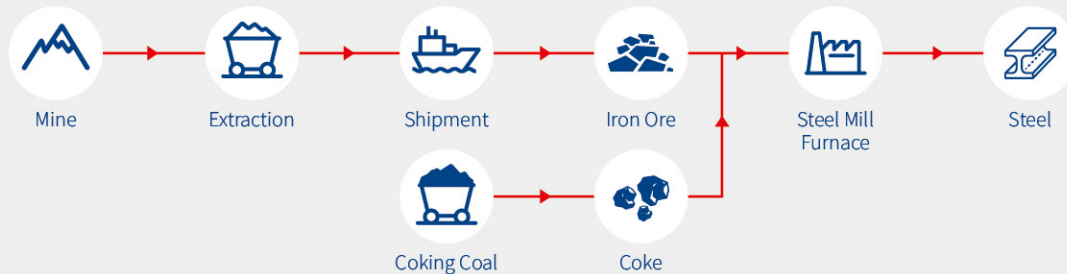
Iron Ore Physical Market

Overview of Iron Ore

Iron ore refers to the ore that has use value and contains iron element or iron compounds. It is the important raw material for iron and steel production. There are many varieties of iron ore, and those for iron-making mainly including magnetite (Fe_3O_4), hematite (Fe_2O_3) and siderite (FeCO_3).

Grade of iron ore represents the content of iron element in the ores. According to different physical forms, the iron ore family is divided into raw ore, lump ore, fine ore, ore concentrate, sintering ore, and pellet ore. The fine ore is selected as the underlying for futures trading of iron ore on Dalian Commodity Exchange.

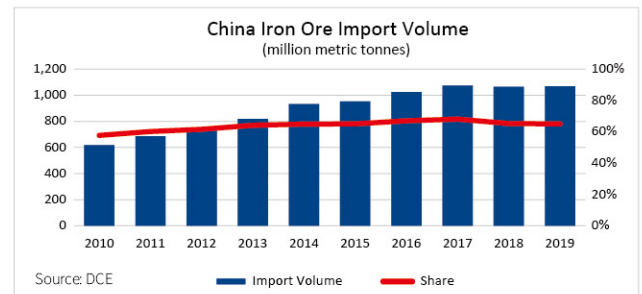
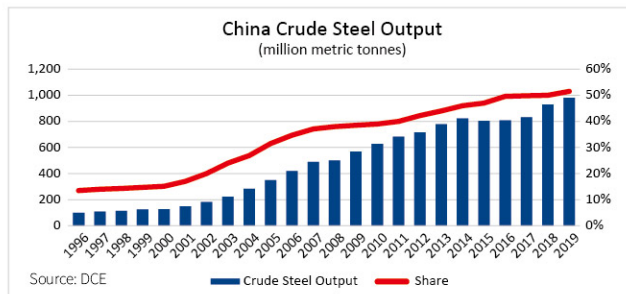
Steel production process



Largest Iron Ore Importer

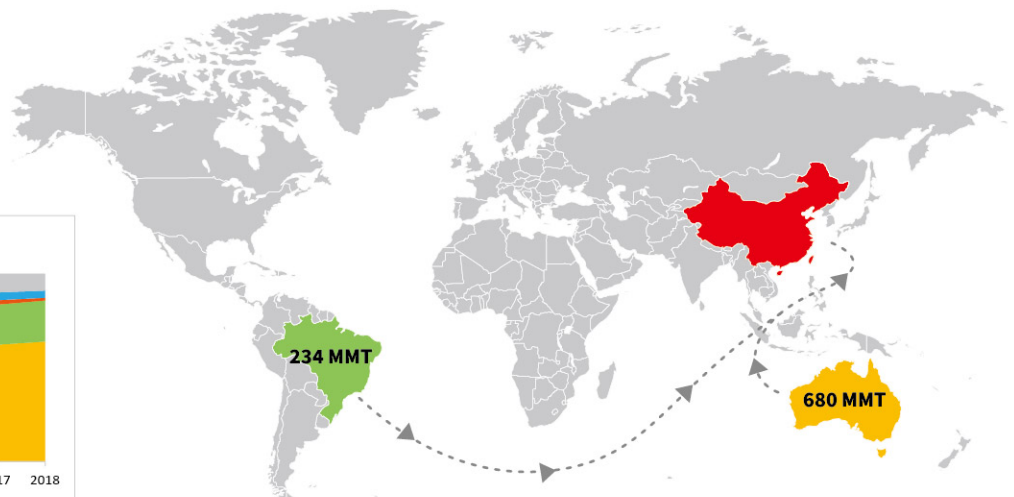
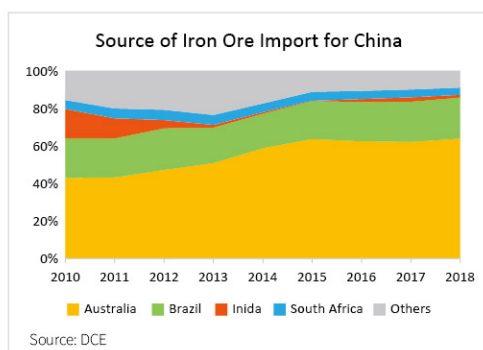
China has become the largest steel producer since 1990s, which resulted in a strong need for high-grade iron ore imports. China also remained as the largest importer of iron ore and consumed over 60% of iron ore

worldwide during the past few years. The import volume has reached 1 billion metric tonnes since 2016, China imported around 1.069 billion metric tonnes of iron ore in 2019.

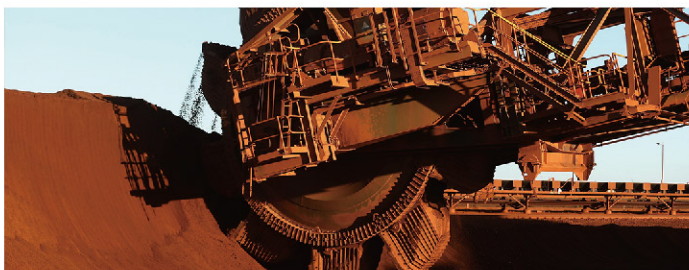


Main Sources of Iron Ore Import

Australia, Brazil and South Africa are main sources of China iron ore imports. Over the past few years, over 80% of China iron ore imports were exported by Australia and Brazil.



*based on 2018 China iron ore import volumes



World's Leading and Largest Iron Ore Futures Market

Contract Specifications

Product	Iron Ore Futures
Underlying	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 1001-2019)
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

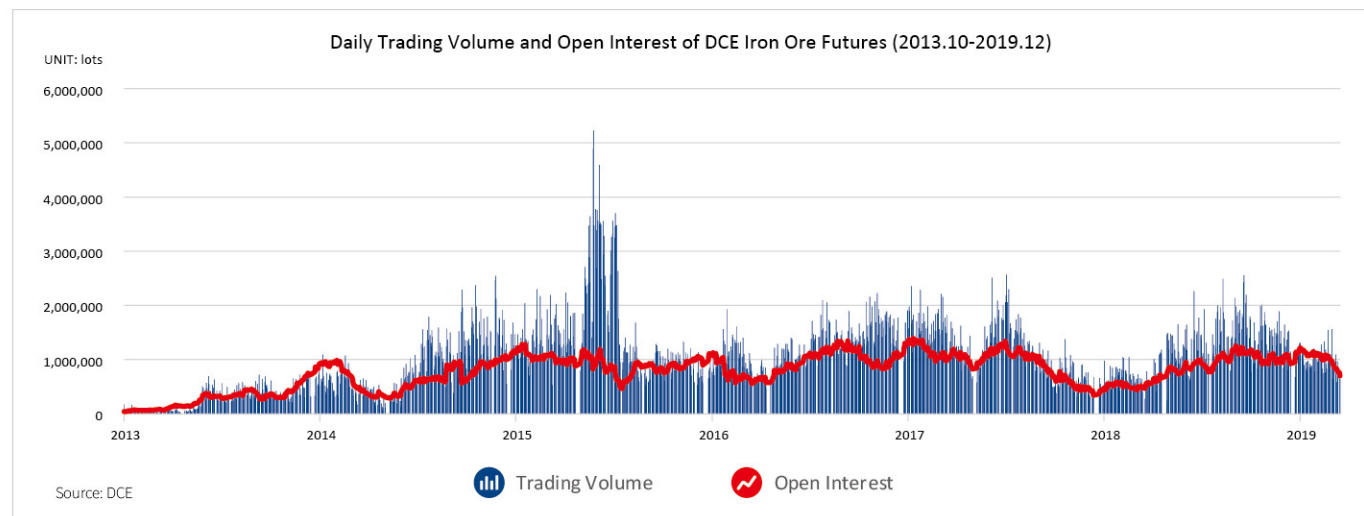
Product	Iron Ore Options
Underlying	Iron Ore Futures Contract
Contract Type	Call Options, Put Options
Trading Unit	One lot (100 MT) iron ore futures contract
Quote Unit	CNY / MT
Minimum Tick Size	0.1 CNY / MT
Price Limit	The same with that of iron ore futures contract
Contract Months	January, February, March, April, May, June, July, August, September, October, November, and December
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 Day	The same with the last trading day
Exercise Prices	The exercise price is the settlement price of iron ore futures contract on the last trading day plus or minus 1.5 times of the price limit on that day. When the exercise price is no more than 300 CNY / MT, the exercise price interval is 5 CNY / MT; when the exercise price is no more than 1,000 CNY / MT but no less than 300 CNY / MT, the exercise price interval is 10 CNY / MT; when the exercise price is more than 1,000 CNY / MT, the exercise price interval is 20 CNY / MT.
Exercise Style	American Style: the buyer can exercise at any trading time before the expiration day or before 15:30 on the expiration day.
Trading Code	Call Options: I-Contract Month-C-Exercise Price Put Options: I-Contract Month-P-Exercise Price
Listed Exchange	DCE

*DCE may adjust the daily price limit ranges and the trading margins of each contract according to market conditions.
The F/DCE 1001-2019 quality standard takes effect from the i2009 contract.

DCE Iron Ore Futures

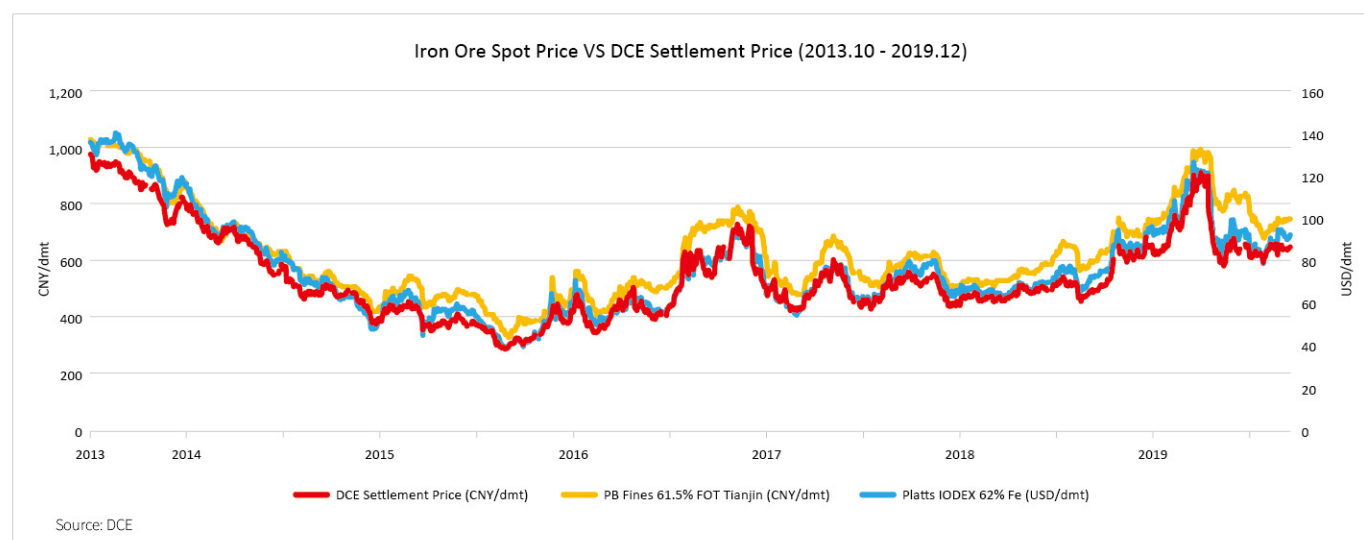
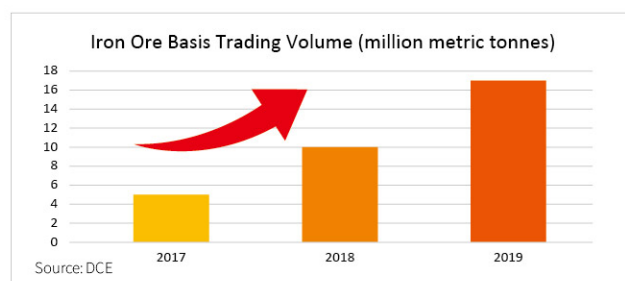
Trading Statistics

Since its launch in 2013, DCE iron ore futures have evolved to be the most traded iron ore futures product worldwide. As the second most traded metal futures in 2019, DCE iron ore futures have provided industrial participants with a reliable hedging instrument. Equipped with huge liquidity and extremely high correlations with iron ore spot market, the hedging efficiency of DCE iron ore futures could be as high as 95%. DCE launched iron ore options on futures in December 2019.



Reference Pricing

Prices discovered on DCE serve as important references for the iron ore physical market. DCE is reshaping trading patterns of the iron ore spot market, with increasing amount of iron ore priced with DCE prices in forms of basis trading. Besides, the OTC swap platform as well as basis trading platform provided by DCE also help industrial participants with price risk management.

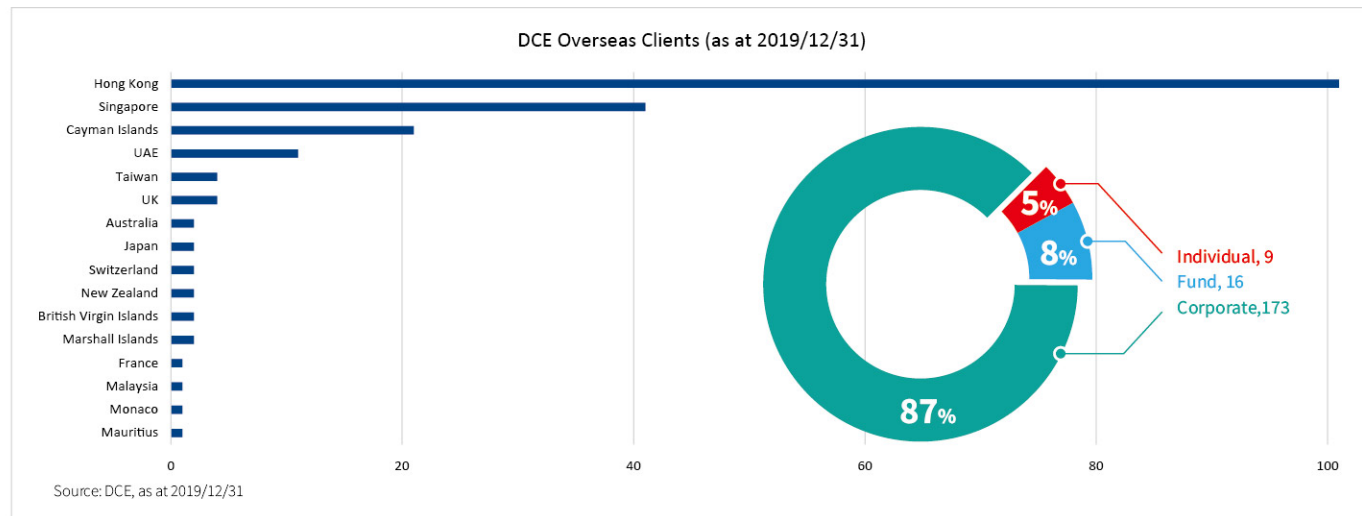


*DCE settlement prices refer to settlement prices of DCE iron ore dominant contracts.

Internationalization

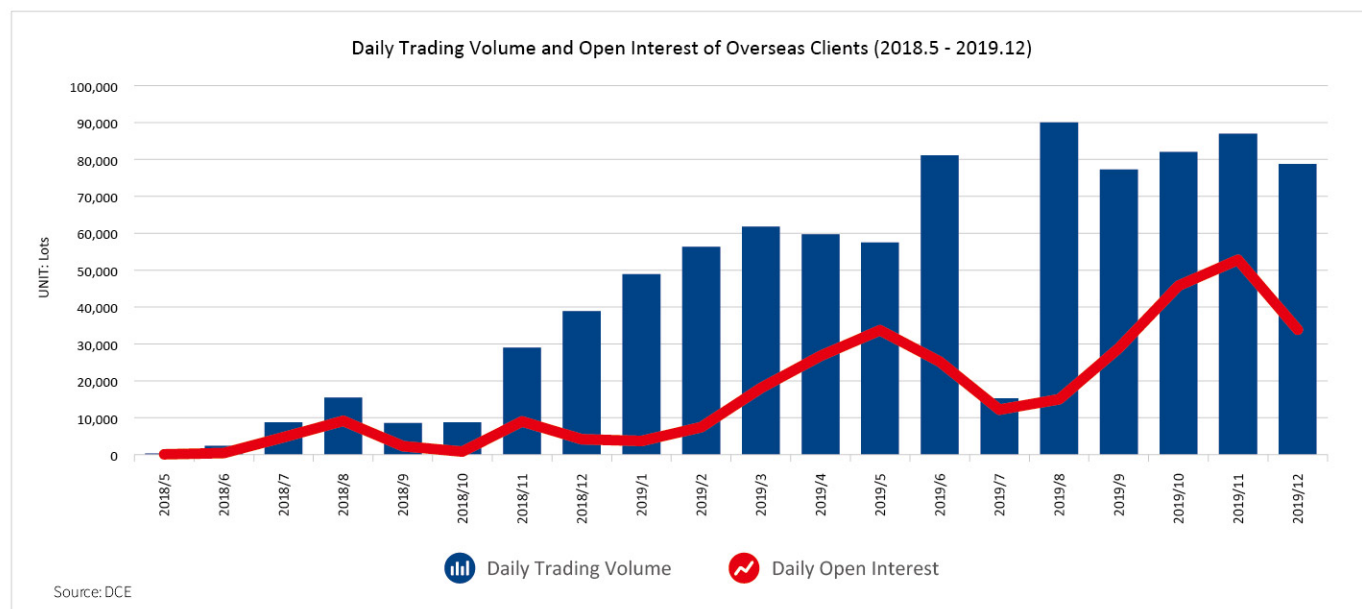
Overseas Clients: A Growing Force in DCE market

DCE introduced overseas clients into its iron ore futures in May 2018. At the end of December 2019, around 52 overseas brokers from 6 countries and regions have registered with DCE through 34 domestic futures companies. A total of 198 overseas clients from 16 countries and regions opened accounts, 121 of them have participated in iron ore futures trading by the end of December 2019.



Trading Statistics

In 2019, the daily trading volume contributed by overseas clients was around 6.6 million metric tonnes, which exceeded shipping capacity of 20 VLOC ships (tonnage of 300,000 mt) .



Physical Settlement

DCE Iron Ore Delivery Quality Standard (F/DCE I001-2019)

In order to further satisfy the market needs and serve the real economy, DCE started to implement brand delivery of iron ore products. The amended contract and rules entered into force from the launch of i2009 contract.

Under the brand delivery system, only deliverable brands (currently 11

brands) would be allowed to be delivered in the physical settlement. The overall premiums/discounts would be the sum of quality premiums/discounts and brand premiums/discounts. DCE may adjust deliverable brands and relevant premiums/discounts according to market conditions.




Quality Requirements of Standard Products

Item	Quality Standards
Iron (Fe)	≥62.0%
Silicon Dioxide (SiO ₂)	≤5.0%
Aluminum Oxide (Al ₂ O ₃)	≤2.5%
Phosphorus (P)	≤0.10%
Sulfur (S)	≤0.03%

Quality Premiums/Discounts of Substitute Products

Item	Premium/Discount (CNY/MT)
Iron (Fe)	Discount of 1.0 per 0.1% of decrease Premium of 1.0 per 0.1% of increase
Silicon dioxide (SiO ₂)	Discount of 1.0 per 0.1% of increase
Aluminum oxide (Al ₂ O ₃)	Discount of 1.0 per 0.1% of increase
Phosphorus (P)	Discount of 5.0 per 0.01% of increase
Sulfur (S)	Discount of 1.0 per 0.01% of increase

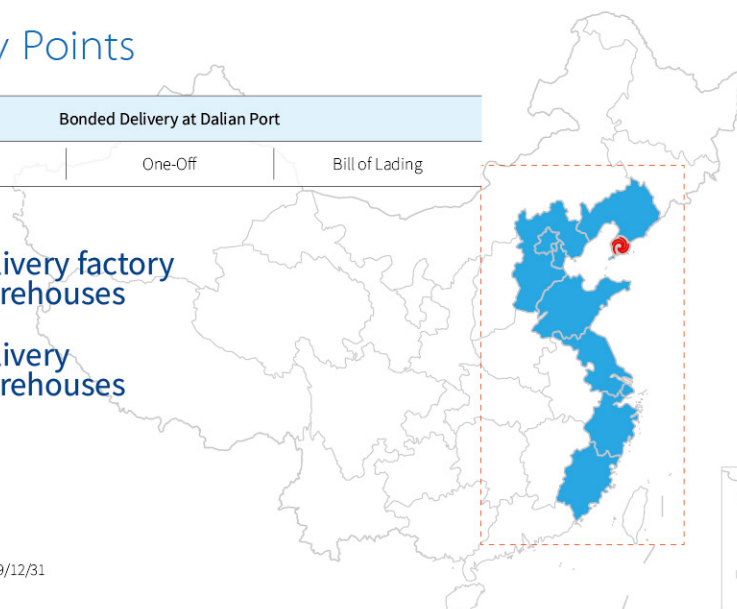
Deliverable Brands and Relevant Premiums/Discounts

Deliverable Brand	Manufacturer	Premiums & Discounts (CNY/MT)
Pb Fines		0
Newman Fines		0
MAC Fines		-20
Jimblebar Fines		-25
Roy Hill Fines		-20
BRBF		20
Super Special Fines		-90
FMG Blend Fines		-75
Carajas Fines		35
HBIS Concentrates		15
Ansteel Concentrates		0

Delivery Points

Bonded Delivery at Dalian Port		
EFP	One-Off	Bill of Lading

20 delivery factory warehouses
9 delivery warehouses



As at December 31st 2019, there are 9 iron ore delivery warehouses as well as 20 iron ore delivery factory warehouses within China. The location of those delivery points has been chosen specifically in order to be consistent with iron ore physical market. For overseas clients, DCE offers iron ore bonded delivery at the Dalian port for all of the three delivery modes—EFP, one-off and bill of lading delivery.

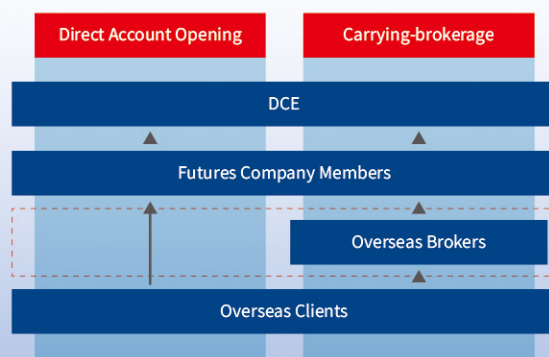
Dalian Commodity Exchange (DCE)

Established in 1993, Dalian Commodity Exchange (DCE) is one of the four futures exchanges under the supervision and administration of the China Securities Regulatory Commission (CSRC) upon approval of the State Council. Currently DCE has 19 listed futures and 3 options approved by the CSRC. DCE futures products cover agricultural, petrochemical, energy and metal sectors, serving several important industries in China's national economy.

The DCE futures market helps in price discovery and risk management for market participants and facilitates the development of related industries. In 2019, DCE was ranked 11th by the Futures Industry Association (FIA) in terms of total trading volume.

Opening-up

On May 4th 2018, DCE introduced overseas clients into its iron ore futures unprecedentedly. There are two routes available for overseas clients who could open accounts either through DCE futures company members directly or through sub-delegation channel where they have access to DCE futures company members via registered overseas brokers. DCE is currently devoted to open up more products for overseas clients.



2019 DCE Annual Trading

1.36
billion lots

11th
FIA ranking

5.56
million lots of daily
trading volume

6.72
million lots of daily
open interest

DCE's Trading Volume by Year
(million lots)



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