



DALIAN COMMODITY EXCHANGE

IRON ORE FUTURES

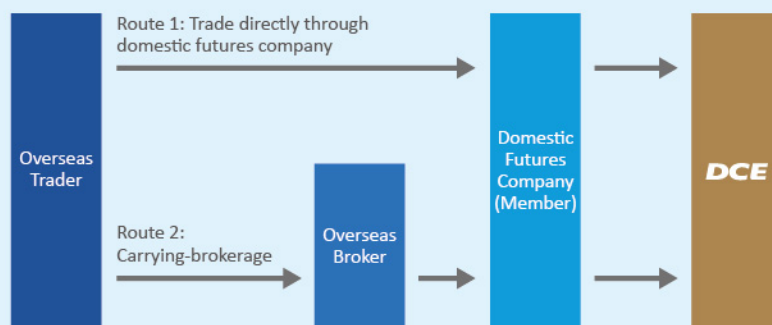




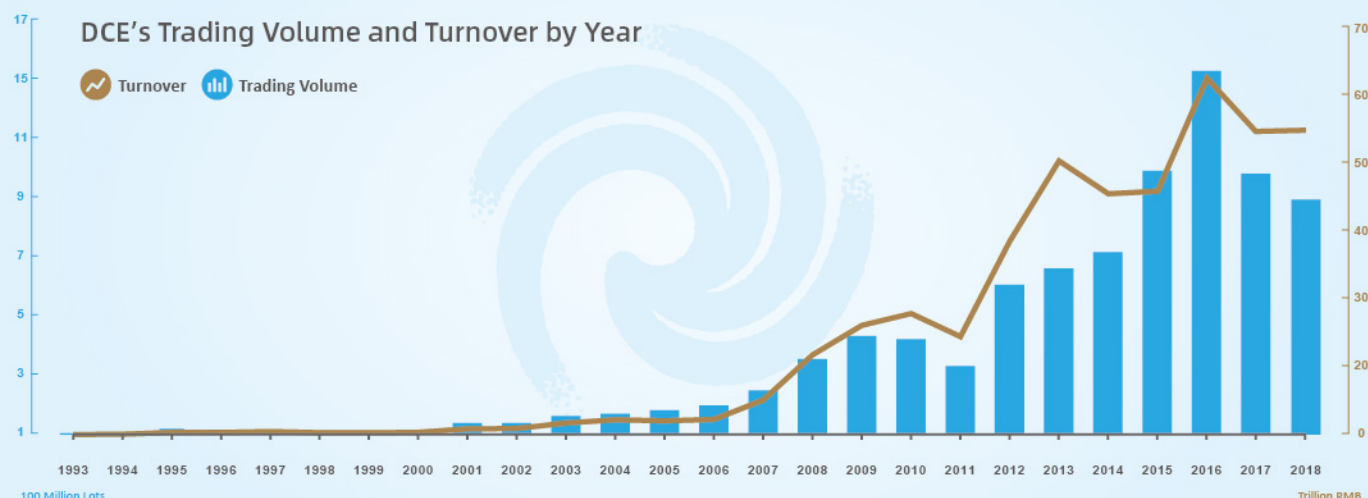
About Dalian Commodity Exchange

Opening-up

On May 4th 2018, DCE introduced overseas traders into iron ore futures. Currently, there are two routes available for overseas traders. Traders could open accounts directly through domestic futures companies which act as the member of DCE. Or overseas traders could participate through sub-delegation channel where they have access to our domestic futures company members via registered overseas brokers.



Annual Trading Statistics of DCE (1993-2018)



2018

Annual Trading Volume	Annual Turnover	Average Daily Open Interest	2018 FIA Exchange Ranking
982 Million lots	52 Trillion CNY	5.88 Million lots	12th

World's Leading and Largest Iron Ore Futures Market

DCE launched Iron Ore Futures Contracts on October 18th 2013. On May 4th 2018, DCE introduced overseas traders into iron ore futures.

This guide is intended to provide those interested in trading and hedging iron ore with iron ore futures contracts DCE has made available for market participants.



Iron Ore Futures Contract of Dalian Commodity Exchange

Product	Iron Ore
Trading Unit	100MT/Lot
Price Quote Unit	CNY(RMB)/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 10 th trading day of the contract month
Last Delivery Day	The 3 rd trading day after the last trading day
Deliverable Grades	Iron Ore Delivery Quality Standard of DCE (F/DCE I001-2019), the deliverable brands and the brand discounts and/or premiums will be separately prescribed by DCE.
Delivery Point	The delivery warehouses and delivery point of iron ore designated by DCE
Minimum Trading Margin*	5% of the contract value
Delivery Form	Physical delivery
Ticker Symbol	I
Listed Exchange	DCE

*DCE may adjust daily price limit ranges and trading margins of each contract according to market conditions, the F/DCE I001-2019 standard would take effect from I2009 contract.



The Iron Ore Physical Market

Overview of Iron Ore

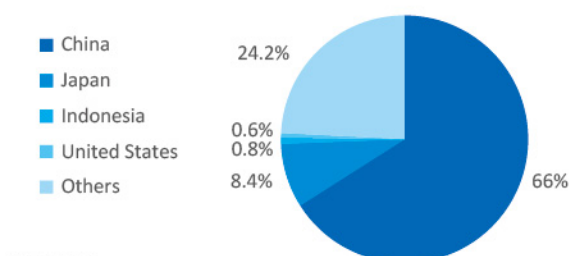
Iron ore refers to the ore that has use value and contains iron element or iron compounds. It is the important raw material for iron and steel iron-making mainly including magnetite (Fe_3O_4), hematite (Fe_2O_3) and siderite (FeCO_3).

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 ore. The fine ore is selected as the underlying for futures trading of iron ore on Dalian Commodity Exchange.

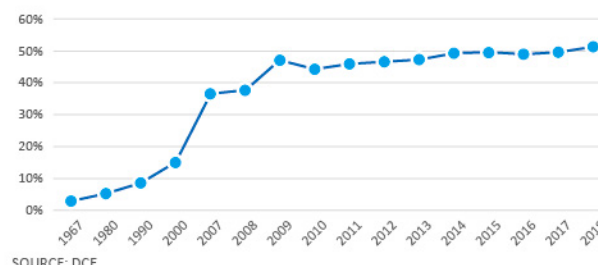
Iron Ore Trading in China

China is the biggest buyer of iron ore and consumes around 66% of worldwide iron ore imports in 2018. Meanwhile, China has acted as the largest producer of steel in the past 18 years as well.

China's Share in Iron Ore Import (2018)



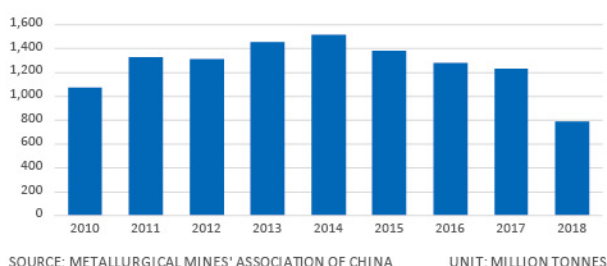
China's Share in World Steel Production



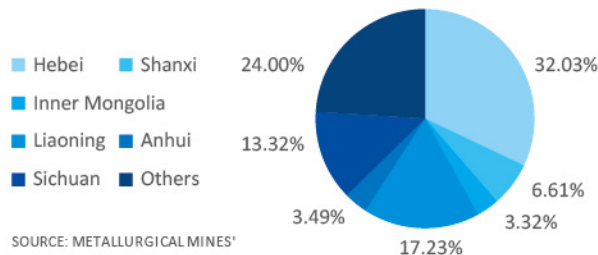
Domestic Production

In recent years, the steel industry in China has developed dramatically. There is a substantially increased demand for iron ore, driving the iron ore output in China to increase constantly. However, due to the structural reform in steel industry and raised awareness of environmental issues, the output of domestic iron ore was declining while the dependence on high-grade iron ore imports was increasing.

Raw Iron Ore Output in China



Regional Distribution of Raw Iron Ore Output in China in 2018



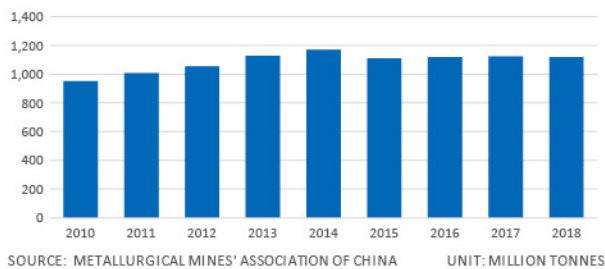
production. There are many varieties of iron ore, and those for raw ore, lump ore, fine ore, ore concentrate, sintering ore, and pellet



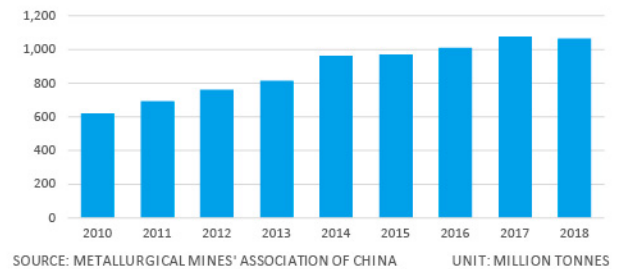
Domestic Demand

Steel mills are end-users of iron ore, and the steel productivity determines the iron ore consumption. In a nutshell, the iron ore demand is gradually increasing in China due to increased demand of steel.

Iron Ore Demand Trend in China



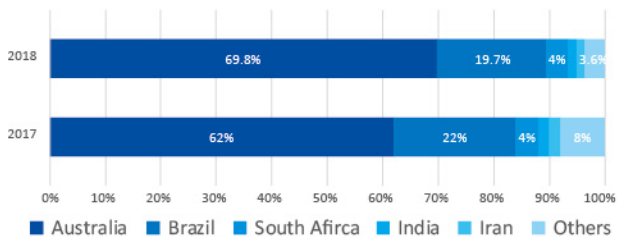
Import Volume of Iron Ore in China



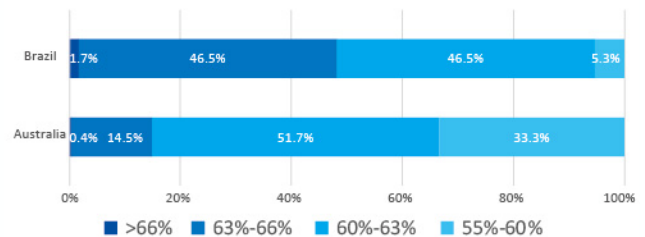
Import

China's domestic iron ores cannot meet requirements of steel production due to insufficient output and low grade. Hence there is a strong need to import high-grade iron ores. The import volume is inclined to be stable during 2015-2018 at around 1 billion tonnes/-year. Australia, Brazil and South Africa occupied the top 3 positions in total imports in the past few years.

China Iron Ore Imports by Countries (2017 and 2018)



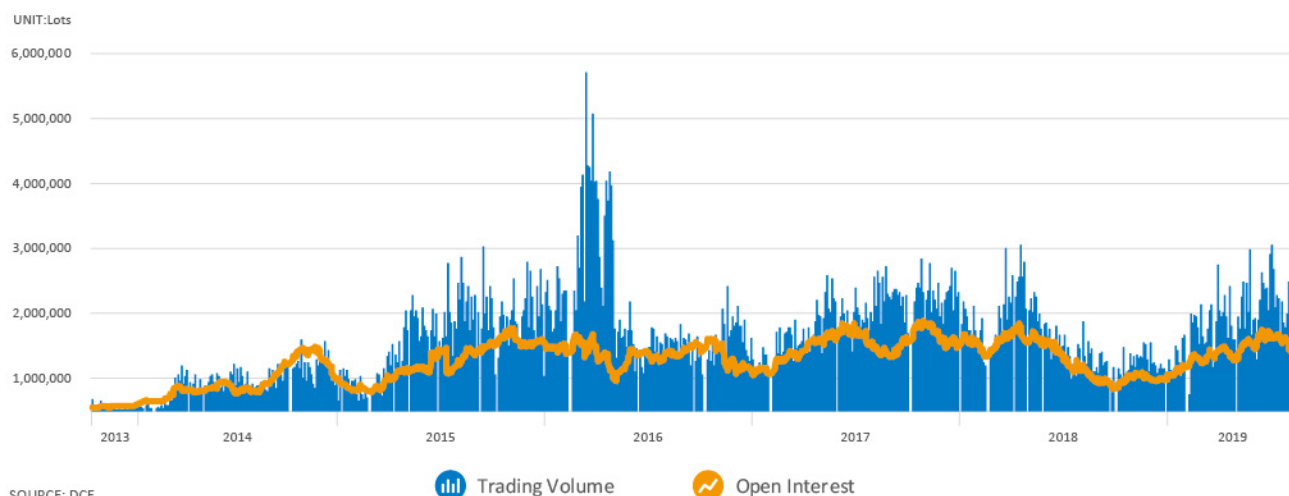
Grade Distribution of Iron Ore Imports from Australia and Brazil (2017)



Launch and Trading Volume

Since its launch in 2013, DCE iron ore futures contracts have evolved to be one of the most successful futures products in China. Based on China iron ore spot market, DCE iron ore futures contracts mimic a 0.98 correlation with the spot market. Hedging efficiency of contracts could be as high as 95%. DCE iron ore futures have been referred to as an extremely reliable hedging instrument for industry participants. Besides, DCE iron ore futures contracts are currently the largest in terms of trading volume.

Daily Trading Volume and Open Interest of DCE Iron Ore Futures (2013.10-2019.08)



Iron Ore Spot Price VS DCE Futures Price



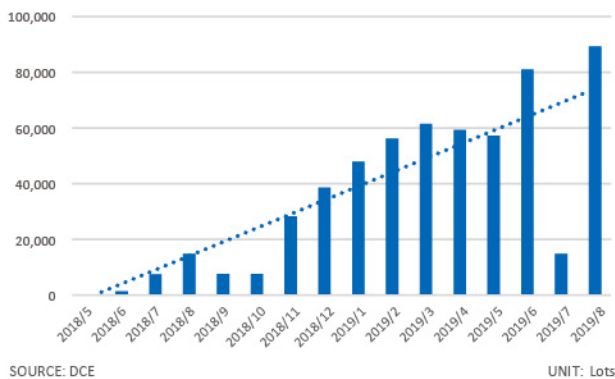
*DCE settlement prices refer to settlement prices of DCE iron ore dominant contracts.

Internationalization

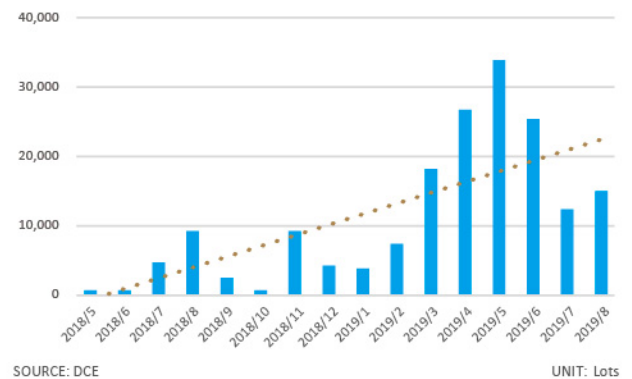
In terms of internationalization, DCE has enacted related regulations regarding the suitability and threshold of overseas traders. In order to open accounts in DCE, potential participants need to satisfy prerequisites of available fund, compliance, knowledge and trading experience in futures. Without doubt, existence of those stipulations could help regulate markets and thus prevent any potential manipulation or misconduct.

As the end of August 2019, around 46 overseas brokers from 6 countries and regions have been registered with DCE through 33 domestic futures companies. A total of 156 overseas clients from 14 countries and regions opened accounts, 95 of them have participated in iron ore futures trading by the end of August 2019.

Average Daily Trading Volume of Overseas Traders



Average Daily Open Interest of Overseas Traders

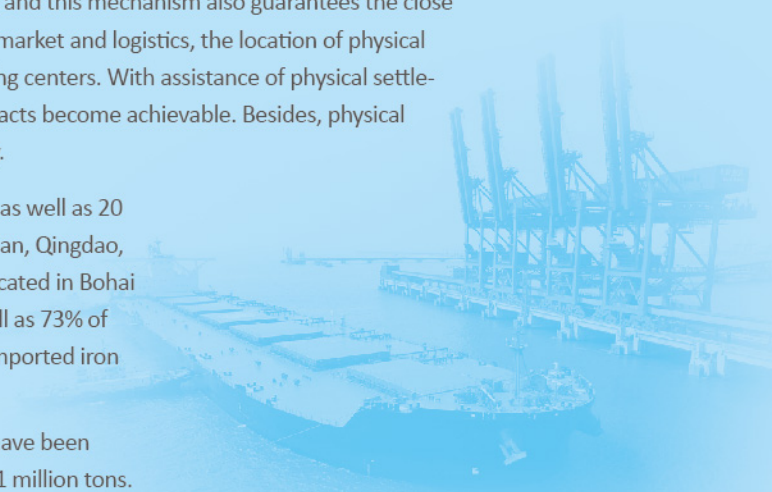


Physical Settlement

Physical settlement is the link between spot market and futures market, and this mechanism also guarantees the close relationship between both markets. In order to be consistent with spot market and logistics, the location of physical settlement was chosen specifically based on main distributing and trading centers. With assistance of physical settlement, price discovery mechanism and hedging function of futures contracts become achievable. Besides, physical settlement is also consistent with DCE's mission of serving real economy.

In terms of designated delivery points, currently, DCE has 9 warehouses as well as 20 factory warehouses such as Lianyungang, Jingtanggang, Rizhao, Caofeidian, Qingdao, Tianjin, Dalian (bonded) and so on. Majority of those warehouses are located in Bohai Rim region which makes up 60% of overall crude steel production as well as 73% of overall iron ore production in China. Besides, 73% of port inventory of imported iron ore in China are available in this specific area.

Since the listing of the contracts, a total of 6.55 million tons of iron ore have been delivered. Maximum delivery volume in a single month has reached 1.61 million tons.





A world-renowned futures trading center

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 products and two types of options approved by the CSRC. DCE futures products cover agricultural, chemical and ferrous sectors, serving several important industries in China's national economy.

The Dalian futures market helps in price discovery and risk management for market participants and facilitates the development of related industries. In 2018, DCE achieved 982 million lots in total trading volume.



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