**Appendix**

**Detailed Rules for Mock Trading of Hot-rolled Coil Futures**

**I. General Rules**

1. These rules are made by Gold & Steel Department and Technical Operation & Maintenance Center of the Shanghai Futures Exchange to standardize the trading behavior during the mock trading of hot-rolled coil futures, ensure the smooth running of the mock trading and provide various investors with a platform for learning, exchange of views and competition on the basis of fairness and justice.

2. With openness, fairness and justice as the principle, the mock trading focuses on mock investment drills and market training. It does not involve any actual monetary transaction or investment and nothing it involves is related to the reality. All the participants are equal under these rules.

3. These rules apply to the mock trading only and are binding on all the participants.

**II. Application and Account-opening**

4. Those who desire to participate in the mock trading (hereinafter referred to as “customer”) need to open account on the Internet. Once it is completed successfully they can get the mock account and the password.

5. Virtual account: the initial fund is RMB 10 million. The registered virtual account is used to record the information on customer’s fund balance, product types, quantity of open contract, amount of margin, and opening and closing of a position.

6. The mock trading system shall keep the customer updated about the fund balance, product types, quantity of open contract, amount of margin, and opening and closing of a position in the “trading account”.

**III. Trading Products and Contract Specifications**

7. Trading Products : the mock trading system provides the trading and settlement of hot-rolled coil futures.

8. Contract Specifications [the parameter of mock contract is no constraint on that of the products listed on the Exchange, and the contract delivery month is the months after July 2014(inclusive)].

(1) The standard hot-rolled coil futures contract is as follows:

[Standard Hot-rolled Coil Futures Contract](http://www.shfe.com.cn/upload/dir_20131127/97123_20131127.doc)

|  |  |
| --- | --- |
| Product | Hot-rolled Coil |
| Contract Size | 10 tons/lot |
| Price Quotation | (RMB) Yuan/ton |
| Minimum Price Fluctuation | 2 Yuan/ton |
| Daily Price Limit | Within 3% up or down the settlement price of the previous trading day |
| Contract Series | Monthly contract of the recent 12 months from January to December |
| Trading hours | 9:00 am—11:30 a.m., 1:30 pm—3:00 p.m., and other trading hours as prescribed by SHFE |
| Last Trading Day | The 15th day of the delivery month (If it is a public holiday, the Last Trading Day shall be the 1st business day after the holiday.) |
| Delivery Period | 5 consecutive business days after the last trading day |
| Grade and Quality Specifications | Standard products: Q235B that conforms to GB/T 3274-2007 Hot-rolled Plates and Strips of Carbon Structural Steels and High Strength Low Alloy Structural Steels or SS400 that conforms to JIS G 3101-2010 Rolled Steel For General Structure, hot-rolled coil with a thickness of 5.75mm and a width of 1,500mm.Substitutions: Q235B that conforms to GB/T 3274-2007 Hot-rolled Plates and Strips of Carbon Structural Steels and High Strength Low Alloy Structural Steels or SS400 that conforms to JIS G 3101-2010 Rolled Steel For General Structure, hot-rolled coil with a thickness of 9.75 mm, 9.5 mm, 7.75 mm, 7.5 mm, 5.80 mm, 5.70 mm, 5.60 mm, 5.50 mm, 5.25 mm, 4.75 mm, 4.50 mm, 4.25 mm, 3.75 mm and 3.50 mm and a width of 1,500 mm. |
| Delivery Venue | SHFE Certified Delivery Warehouse  |
| Minimum Trade Margin | 4% of contract value |
| Settlement Type | Physical Delivery |
| Contract Symbol | HC |
| Exchange | SHFE |

(2) Adjust the trade margin throughout the life of the mock hot-rolled coil futures contract (approach the delivery period):

**Margins required throughout the life of the hot-rolled coil futures contract**

|  |  |
| --- | --- |
| Timing | Margin rate |
| As from the date of listing | 4% |
| As from the first trading day of the first month prior to the Delivery Month | 10% |
| As from the first trading day of the Delivery Month | 15% |
| As from the second trading day prior to the last trading day | 20% |

(3) Percentage-based and fixed-amount Position Limits in effect throughout the life of a specific mock hot-rolled coil futures contract of Futures-firm Members (FFMs), Non-futures-firm Members (Non-FFMs) and customers that partipate in mock trading:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | From the date of listing to the Delivery Month | From the date of listing to the last trading day of the second month prior to the Delivery Month | First month prior to the Delivery Month | Delivery Month |
| Open interestin one futures contract | Position limit ratio (%) | Position limits (in lots) | Position limits (in lots) | Position limits (in lots) |
|  | FFM | Non- FFM | Customer | Non- FFM | Customer | Non- FFM | Customer |
| Hot-rolled coil | ≥3,600,000 | 25 | 180,000 | 180,000 | 9,000 | 9,000 | 1,800 | 1,800 |

Note: The "open interest in one futures contract" in the table shall be calculated on a two-sided basis, and the position limits on FFMs, Non-FFMs and customers on a one-sided basis; and the position limits on FFMs shall be the Baseline Position Limit.

(4) The margin requriements for mock trading of hot-rolled coil futures contract is tentatively set at 6% of the contract value, and the price limit tentatively at 4%. On the opening day of mock trading, the price limit is two times the tentative price limit (within 8% above or below the benchmark price).

9. Cash settlement is adopted for mock contract using the settlement price on the last trading day of the contract as the benchmark price of delivery settlement. Delivery process is not mimicked in the mock trading.

10. The intial fund in the account of each customer participating in mock trading is RMB 10 million, and no augmentation is allowed during the mock trading. Opening a new position is not allowed when the fund balance in the account is lower than zero.

11. For other trading, settlement and risk control regulations with respect to mock trading, see the Notification on Seeking Advice on the Hot-rolled Coil Futures Contract and Relevant Rules of the Shanghai Futures Exchange.