Appendix5

**Designated Delivery Oil Depots Rules**

**of the Shanghai Futures Exchange**

**(Trial)(Amended)**

**Article 4** An applicant for designated delivery oil depot certification shall meet the following criteria:

(i) possessing a business license and warehousing license for petroleum products issued by an administrative bureau for industry and commerce; complying with local laws and regulations, being certified to provide warehousing services for the corresponding commodities, and, if applying for engaging in the bonded delivery business, being certified as a bonded depot;

(ii) ensuring both fixed assets and registered capital meet the level prescribed by the Exchange;

(iii) having sound financial positions and strong resilience against risks;

(iv) having a good business reputation, a complete set of warehousing rules, and for the most recent three (3) years, no record of material violation of the law or revocation of the designated delivery oil depot certification;

(v) complying with the trading rules and delivery rules of the Exchange;

(vi) ensuring each of the principal managers of the facility has at least five (5) years of warehouse management experience; and having a well-trained, professional management team;

(vii) having rigorous and complete systems governing the load-in, load-out, and storage of petroleum products;

(viii) having a sizeable storage capacity; the dock facilities and port arrangements to store the petroleum products listed on the Exchange, complemented by all the necessary and working equipment; and firefighting and measuring system meeting relevant requirements as well as convenient transport access; and

(ix) meeting such other criteria as prescribed by the Exchange.

**Article 5** An applicant for designated delivery oil depot certification shall submit:

(i) an application letter;

(ii) photocopy of the business license issued by an administrative bureau for industry and commerce; proof of incorporation such as business license, organization code certificate, and tax registration certificate, and relevant certificates of qualification for the warehousing business and the measuring staff;

(iii) the original audit reports issued by a certified public accounting firm for the most recent two (2) years, or the photocopies thereof bearing the accounting firm’s business seal;

(iv) photocopy of the land use permit (or land lease agreement for the oil depot), dock use permit (or dock lease agreement), and petroleum product storage permit, as well as other relevant documents and other proof of port arrangements;

(v) the approval document issued by the competent administrative authority or board of directors permitting the filing for certification and a letter of joint guarantee signed by relevant organizations that is up to the requirements of the Exchange;

(vi) rules and systems governing the load-in, load-out, and storage of petroleum products oil depot management system and an overview thereof, résumés of principal managers, and overview of the management team; and

(vii) other documents required by the Exchange.

**Article 7** After securing the Exchange’s certification, a designated delivery oil depot shall:

(i) file with the Exchange with respect to all the seals it uses to issue standard warrants;

(ii) file with the Exchange the letter of authorization for, and the signatures of, the designated futures delivery handlers;

(iii) pay the required risk collateral performance deposit;

**Article 9** A designated delivery oil depot whose certification is being forfeited or revoked shall:

(i) load-out all the petroleum products stored for delivery or convert them into spot products;

(ii) settle all claims and obligations with the Exchange; and

(iii) claim the refund of risk collateral performance deposit in accordance with the rules of the Exchange.

**Article 12** A designated delivery oil depot is obligated to:

(i) abide by the Delivery Rules and other applicable rules of the Exchange, accept the supervision of the Exchange, and timely inform the Exchange of all relevant matters;

(ii) inspect and accept the petroleum products for delivery according to the quality standards specified in the futures contract;

(iii) assist certified assayers in inspecting the quality , quantity, and weight of the petroleum products for delivery;

(iv) properly store the petroleum products in the delivery depot in accordance with relevant rules and ensure their safety, quantity, and quality, and weight, or assume all financial liabilities thus incurred;

(v) designate the tanks dedicated to storing petroleum products for futures delivery on account of the certified storage capacity, and ensure the segregation of petroleum products for futures delivery from spot products;

(vi) keep confidential the trade secrets related to futures transactions;

(vii) participate in the annual audit organized by the Exchange; and

(viii) pay the risk collateral performance deposit;

**Article 14** A designated delivery oil depot shall cooperate with owners in coordinating with such parties as docks, ports, pipeline companies, the customs, and goods inspection authorities to ensure priority status for prioritize the load-in and load-out of petroleum products for futures delivery.

**Article 15** Load-in is the first stage of petroleum product storage, consisting of the following steps:

(i) Receiving. The primary task of receiving is to assist the owner in taking over, in a timely and accurate manner from the shipper, the petroleum products to be loaded in through well-defined procedures and division of responsibilities.

(ii) Inspection and acceptance. The designated delivery oil depot shall, in accordance with rules of the Exchange, verify the accompanying documentation and inspect the quality ,quantity ,and weight of the inbound petroleum products, and begin the load-in procedures (i.e., loading of products into storage tanks, registration, setting up identifier, and file creation) only after the products in question pass the acceptance inspection.

(iii) Load-in and issuance of standard warrants. The designated delivery oil depot may only fill out the Certified Delivery Depot Load-in Inspection Report of the Shanghai Futures Exchange (in duplicate, one for the owner and one for itself) after being instructed by the Exchange to issue standard warrants, and shall issue such standard warrants as per the owner’s requirements and the rules of the Exchange.

**Article 16** Petroleum products will enter the storage phase after acceptance and load-in. designated delivery oil depots shall maintain proper custody of the petroleum products in accordance with relevant national rules throughout the storage period.

**Article 18** A designated delivery oil depot shall circulate and heat the petroleum products to be loaded out to a temperature of no lower than forty thirty-five degrees Celsius (4035 °C) at load-out.

**Article 19** A designated delivery oil depot shall clean the delivery pipelines before each load-in and after each load-out ensure that its pipelines are in the same condition after each load-in or load-out as before the load-in or load-out, and that the quantity measurement of the petroleum products at load-in and load-out is accurate.

**Article 21** During load-out of petroleum products, the owner shall, at its own discretion, either engage a certified assayer to conduct quality, quantity, and weight inspections or appoint the designated delivery oil depot to conduct a weight the inspection. After the products are shipped, the designated delivery oil depot shall timely complete the Certified Delivery Depot Load-out Inspection Report of the Shanghai Futures Exchange (in duplicate, one for the owner and one for itself) according to the weight specified in the inspection report, and stamp “GOODS DELIVERED” on the corresponding standard warrants furnished by the owner, cross-reference them with its existing records, the Load-out Confirmation for Standard Warrant, which shall be confirmed by the delivery-taker with its signature, and properly store them it for future examination.

**Article 22** Title Transfer for Petroleum Products. A designated delivery oil depot processing a title transfer for petroleum products shall keep proper record of the proceedings and duly add or cancel relevant entries in the storage record.

**Article 24** A designated delivery oil depot shall measure petroleum products in accordance with the *Metrology Law of the People’s Republic of China*, the *Implementing Rules for the Metrology Law of the People’s Republic of China*, and the *Regulations of the People’s Republic of China on Measuring Instruments Subject to Mandatory Calibration*. Any flow meter, thermometer, density meter, oil (water) gauge, truck scale, or storage tank; or any safety-related measuring instrument or meter; or any other measuring instrument subject to mandatory calibration, that is without a valid calibration certificate, shall be strictly prohibited from use shall be certified with a valid calibration certificate.

**Article 25** Measurement staff at a designated delivery oil depot shall possess the professional certificate issued by a competent metrological authority, and abide by the laws and regulations on metrology. the *Metrology Law of the People’s Republic of China*, and are knowledgeable about metrology, related laws, as well as technical specifications and rules.

**Article 26** Measurement and Handover of Petroleum Products:

(i) The quantity of petroleum products at handover shall be as indicated by the tank level gauge measured by the storage tanks or, in the case of load-out, if the quantity is below the threshold prescribed by the Exchange, as measured by a flow meter or other measuring instruments at the discretion of the certified assayer;

(ii) The quantity of petroleum products shipping out a designated delivery oil depot by land transport shall be as measured by the depot’s truck scale or measuring meter, provided any electronic truck scale shall be used in a compliant manner;

(iii) During load-in and load-out operations, the designated delivery oil depot’s staff shall work with the certified assayer, the owner, and representatives of the trucking company to inspect the quantity ,weight, quality, and loading rate of the petroleum products, and take and seal samples in accordance with applicable rules. After the completion of the measurement and handover, the staff shall continue to duly measure and take inventory of the petroleum products in subsequent operations.

**Article 27** The weight differential for petroleum products accepted into or shipped out of a designated delivery oil depot shall be no more than three percent (±3%).

**Article 28** A designated delivery oil depot shall, within three business days after the completion of load-in or load-out the issuance of testing report by certified assayer, settle the weight differential arising during the handover process at the settlement price of the nearest month fuel oil contract on the trading day prior to the day on which the load-in or load-out is completed.

**Article 29** At load-in, quality Quality, quantity, and weight inspection of petroleum products at load-in and load-out shall be completed by a certified assayer chosen by the owner; at load-out, such inspection shall be completed either by a certified assayer chosen by the owner or by the designated delivery oil depot itself. If the designated delivery oil depot does not agree with the owner’s choice, it may negotiate with the owner for a replacement. If the negotiation fails, the designated delivery oil depot may request the Exchange to select the assayer for them. Designated delivery oil depots shall cooperate with certified assayers in taking samples and measurements.

**Article 30** A designated delivery oil depot shall be fully responsible financially for the quality degradation of petroleum products from compliant to incompliant resulting from the mixture of two or more different batches of products that have previously been verified as meeting quality specifications. The provisions of the *Delivery Rules for Fuel Oil Futures of the Shanghai Futures Exchange (Trial)* shall govern the quality assay, payment of charges, and division of responsibilities with respect to the petroleum products for load-in.

**Article 31** A designated delivery oil depot shall bear the post-load-in natural loss of petroleum products during load-in, load-out, and storage due to such causes as pipe transport, pump loss, and evaporation. Notwithstanding the foregoing, a designated delivery oil depot may, pursuant to national standard GB11085-89 “Loss of Bulk Petroleum Liquid Products,” deduct a 2‰ fixed loss from the load-in and load-out quantity.

Owners shall compensate designated delivery oil depots for their loss at the rate specified in the *Delivery Rules for Fuel Oil Futures of the Shanghai Futures Exchange*.

**Article 32** The Exchange will Unless otherwise agreed, each owner shall, according to the difference between the reported load-in quantity reported by owners and the actual load-in quantity, pay the corresponding difference in the load-in application deposit to compensate the designated delivery oil depot concerned at regular intervals using the load-in application deposits it has collected as compensation.

**Article 33** A designated delivery oil depot shall purchase the pertinent commercial insurance policies for the petroleum products it stores for futures delivery, up to the certified storage capacity.

**Article 34** A designated delivery oil depot shall develop contingency plan and immediately notify the Exchange of any incident that may endanger the petroleum products for futures delivery, hinder load-in or load-out, or cause adverse public effect.

If any oil spill, leak, discharge, or otherwise polluting incident occurs during load-in, load-out, or storage, the designated delivery oil depot shall conduct the necessary pollution control and clean-up in accordance with applicable laws and regulations and as required by government authorities, immediately notify relevant environment protection authorities and the Exchange of the incident and countermeasures, and be solely liable for any judgment, claim, or costs arising from such incident.

Frequency of Calibration for Tanks and Measuring Instruments:

(i) new storage tanks shall be calibrated before being put into use and once every four (4) years thereafter. Any evidently deformed storage tanks, due to whatever causes, shall be re-calibrated before use;

(ii) flow meters and oil (water) gauges used in the futures delivery shall be calibrated every six (6) months; and

(iii) other measuring instruments shall be equipped and calibrated at such frequency as prescribed by applicable rules.

**Article 35** A designated delivery oil depot shall maintain a separate record for the petroleum products for futures delivery.

**Article 37** To maintain and improve the quality of services and to enhance their management capacity, the Exchange requires designated delivery oil depots to conduct internal audit and accept the random and annual audit of the Exchange.

(i) Internal audit. A designated delivery oil depot shall, in accordance with these *Certified Delivery Depot Rules*, the *Delivery Rules*, the *Standard Warrant Rules*, and its particular circumstances, examine one or more aspects of its services each month and keep proper records thereof.

(ii) Random audit. The Exchange may, as appropriate for the circumstances or in response to member or customer complaints, audit at any time it chooses one or more aspects of a designated delivery oil depot to examine the implementation, in the day-to-day operations of the designated delivery oil depot, of the various rules of the Exchange. The Exchange will keep detailed records on such audits.

(iii) Annual audit. Each year the Exchange will conduct an annual audit on each designated delivery oil depot, evaluate its performance according to the *Evaluation Rules for Certified Delivery Depots of the Shanghai Futures Exchange*, and set out the performance targets for the next year. For an unqualified designated delivery depot, the Exchange may reduce its certified storage capacity, suspend its delivery business, and ultimately revoke its certification.

The Exchange will cover the following aspects in its audit:

* warehousing facilities;
* appearance;
* business capacity;
* performance;
* records management;
* member satisfaction; and
* other areas deemed necessary by the Exchange.

**Article 38** A designated delivery oil depot shall pay a risk collateral performance deposit to the Exchange as security for performance of obligations. If no indemnification arises, the Exchange will transfer interest on the risk collateral performance deposit to the depot accrued at the prevailing current deposit rate set by the People’s Bank of China; if the depot is required to indemnify another party, the Exchange will first apply the risk collateral performance deposit toward the indemnity, where such risk collateral performance deposit is insufficient to cover the indemnity, the Exchange is entitled to recover the shortfall from the depot.

The amount and payment method for the risk collateral performance deposit are specified in the Certified Delivery Depot Agreement.