Appendix 5

**BITUMEN FUTURES DELIVERY RULES   
OF THE SHANGHAI FUTURES EXCHANGE (TRIAL)**

**(Revised)**

**CHAPTER 1 GENERAL PROVISIONS**

**Article 1** These *Bitumen Futures Delivery Rules* are made in accordance with the *General Exchange Rules of the Shanghai Futures Exchange* and other applicable detailed implementation rules to ensure the smooth delivery of bitumen futures at the Shanghai Futures Exchange (the “Exchange”) and regulate physical delivery activities.

**Article 2** These *Bitumen Futures Delivery Rules* shall apply to delivery against bitumen futures contracts on the Exchange and shall be observed by the Exchange, Members, Clients, Designated Delivery Warehouses, Designated Bitumen Factories, etc.

**CHAPTER 2 GENERAL TERMS AND CONDITIONS**

**Article 3** “Physical delivery” refers to the process whereby the two trading parties of an expired contract close out their positions by transferring the possession to the underlying commodity of the contract.

**Article 4** Method of delivery

Physical delivery of an expired bitumen futures contract shall be conducted in standard delivery procedures, including at a Designated Delivery Warehouse (“Warehouse Delivery”) and a Designated Bitumen Factory (“Factory Delivery”).

A bitumen futures contract may be physically delivered through an Exchange of Futures for Physicals (“EFP”) before expiration. The parties intending to conduct delivery through an EFP shall submit an application for matching in advance.

**Article 5** Any physical delivery by a Client shall be conducted via, and in the name of, its carrying Member through the Exchange. Any Client who is unable to provide or accept special value-added tax (“VAT”) invoices is not permitted to engage in physical delivery.

A natural person Client shall reduce its open positions in any bitumen futures contract to zero (0) by the close of the third trading day before the last trading day of the contract. Starting from the second trading day before the last trading day, the Exchange will conduct forced liquidation over the open positions.

**Article 6** Delivery location

Physical delivery against any expired contract shall take place at a Designated Delivery Warehouse or a Designated Bitumen Factory (the list of which is to be separately announced by the Exchange).

The delivery location for a contract due for EFP before expiration shall be set out in the EFP agreement between the parties.

**Article 7** Delivery unit

The delivery unit of a bitumen futures contract is ten (10) metric tons; delivery shall be made in multiples of the delivery unit.

**Article 8** Grade and quality specifications

Grade and quality specifications of bitumen are subject to the standards of the Ministry of Transport of the People’s Republic of China (“MOT”). Quality of the #70 Class-A road bitumen used for physical delivery of bitumen futures contracts shall meet the technical requirements set forth in Table 4.2.1-2 of the currently effective *Technical Specifications for the Construction of Highway Bituminous Pavement* of the MOT.

In case of any revision to the *Technical Specifications for the Construction of Highway Bituminous Pavement*, detailed requirements for implementing the revised technical specifications shall be separately announced by the Exchange.

The deliverable bitumen shall be registered commodities approved by the Exchange. These registered commodities and their standards of premiums and discounts will be separately announced by the Exchange.

**Article 9** Delivery procedures

Physical delivery against a contract shall be completed within the delivery period prescribed therein. “Delivery period” refers to the three (3) consecutive business days immediately following the last trading day of the contract. These three (3) business days are called the First, Second, and Third Delivery Day, respectively.

(i) The First Delivery Day

1. The buyer submits to the Exchange a notice of intention for the commodities it intends to take delivery of, specifying such information as the product, quantity, and the name of the Designated Delivery Warehouse or Designated Bitumen Factory.

2. The seller submits to the Exchange through the Standard Warrant Management System valid standard warrants with storage fees fully paid to the fifth business day (inclusive) following the last trading day, after which date the storage fees shall be borne by the buyer (fee items and standards of Designated Delivery Warehouses and Designated Bitumen Factories will be approved and separately published by the Exchange).

(ii) The Second Delivery Day

The Exchange assigns the standard warrants. The Exchange will centrally allocate standard warrants to buyers in accordance with the principles of “time priority, quantity rounding, nearest matching, and overall arrangement”.

(iii) The Third Delivery Day

1. The buyer makes payment and receives the standard warrants. The buyer shall make commodity payment at the Exchange in exchange for the standard warrants before 2:00 p.m.

2. The seller receives payment. The Exchange shall transfer the commodity payment to the seller before 4:00 p.m., which transfer may be postponed under exceptional events.

**Article 10** The seller shall submit the special VAT invoice within five (5) business days following the last trading day.

If the buyer and the seller complete such delivery procedures as the submission and receipt of standard warrant, special VAT invoice, and commodity payment by 2:00 p.m. on that day, the Exchange will release the corresponding margin funds on the same day; if such procedures are completed after 2:00 p.m., the Exchange will do so at the clearing on the following trading day.

**Article 11** Circulation of standard warrants

Standard warrants shall circulate as follows in physical delivery through the Exchange:

(i) The seller provides the standard warrants to its carrying FF Member to effectuate the physical delivery;

(ii) the seller’s carrying Member submits the standard warrants to the Exchange;

(iii) the Exchange assigns the standard warrants to the buyer’s carrying Member; and

(iv) The buyer’s carrying FF Member assigns the standard warrants to the buyer.

**Article 12** Loss and tolerance standards

(i) The loss of bitumen at each load-in and load-out, when added together, shall not exceed 2‰. The load-in owner and the load-out owner shall each assume 50% of such loss.

(ii) Tolerance: the weight of bitumen underlying a standard warrant is ten (10) metric tons, with a maximum tolerance of ±3% at load-in or load-out.

**Article 13** Final settlement price and tolerance settlement

(i) Final settlement price

The final settlement price for a bitumen futures contract is the benchmark price for settling a standard bitumen futures contract at delivery and equals the arithmetic mean of the contract’s execution prices in the last five (5) trading days on which it has been executed. In delivery settlement, the buyer and the seller shall settle the contract at its final settlement price plus applicable premium or discount for different registered commodities.

(ii) Tolerance settlement

Any load-in tolerance (after deducting a loss of 1‰) of bitumen shall be settled by the owner directly with the Designated Delivery Warehouse within three (3) business days after the load-in at the settlement price of the nearest month bitumen futures contract on the trading day preceding the load-in.

Any load-out tolerance (after deducting a loss of 1‰) of bitumen shall be settled by the owner directly with the Designated Delivery Warehouse or Designated Bitumen Factory within three (3) business days after the load-out at the settlement price of the nearest month bitumen futures contract on the trading day preceding the load-out.

**Article 14** Delivery charges and fees

The buyer and the seller participating in the physical delivery shall each pay the Exchange a delivery fee of 1 yuan/metric ton.

**CHAPTER 3 WAREHOUSE DELIVERY**

**Article 15** “Warehouse Delivery,” with respect to an expired futures contract, refers to the process wherein the buyer and the seller completes the delivery of the underlying physicals in the form of standard warrants (in such format as prescribed by the Exchange) in accordance with the prescribed procedures.

**Article 16** Inspection methods and inspection agencies

The quality of Bitumen shall be established at load-in and load-out by Designated Inspection Agencies of the Exchange (the list of which is to be separately announced by the Exchange) using the sampling method specified in the currently effective *Testing Procedures for Bitumen and Bituminous Mixtures in Highway Engineering* of the MOT and the test methods specified in the currently effective *Technical Specifications for the Construction of Highway Bituminous Pavement* of the MOT.

The inspection agency for bitumen intended for load-in shall be selected from the foregoing list by the seller; the inspection agency for bitumen intended for load-out shall be selected from the list by the buyer. If the Designated Delivery Warehouse does not agree with the buyer’s or seller’s choice, it may negotiate with the relevant party for a replacement. If the negotiation fails, the Designated Delivery Warehouse may request the Exchange to select the inspection agency for them. The buyer, seller, and Designated Delivery Warehouse shall cooperate with Designated Inspection Agency in the inspection process. The inspection cost shall be borne by the buyer at load-out or the seller at load-in.

**Article 17** While being loaded in or out, bitumen shall meet the minimum quantity required by the Exchange (which will be separately announced by the Exchange), shall be transported with vehicles meeting the requirements of the port, dock, and Designated Delivery Warehouse on such aspects as unloading and measuring management, and shall comply with the safe operation practices of the Designated Delivery Warehouse.

**Article 18** Load-in application (delivery notice)

Before shipping any bitumen to a Designated Delivery Warehouse, an owner shall submit a load-in application (delivery notice) and an application for standard warrant creation to the Exchange. The load-in application shall specify such information as the product, grade, quantity, manufacturer, and the name of the proposed Designated Delivery Warehouse. A Client shall authorize its carrying FF Member to submit the load-in application (delivery notice).

**Article 19** Approval of load-in application

If storage capacity permits, the Exchange will determine whether to approve a load-in application within three (3) business days based on the owner’s intents. The owner shall ship commodity to the Designated Delivery Warehouse specified in the approved load-in application within the time period prescribed by the Exchange. Any bitumen loaded in the warehouse without the approval of the Exchange or beyond the prescribed time period shall not be used for physical delivery.

A load-in application shall be effective for fifteen (15) days from the date of approval.

**Article 20** Load-in application deposit

An owner shall provide true and accurate materials for the load-in application and shall pay an application deposit of 30 yuan/metric ton, which will be deducted by the Exchange from the relevant Member’s Clearing Deposit.

The Exchange shall return the application deposit to the Member’s Clearing Deposit after the owner has completed the load-in procedures and received the standard warrants. If only a portion of the quantity specified in the load-in application is loaded in, the application deposit shall be refunded based on the actual load-in quantity; if none of the specified quantity is loaded in, the deposit will not be refunded and shall be remitted by the Exchange to the Designated Delivery Warehouse.

**Article 21** Load-in inspection

A Designated Delivery Warehouse shall inspect the bitumen it receives and verify the accompanying documents.

The bitumen to be loaded in shall be directly shipped to the Designated Delivery Warehouse by the registered manufacturer. Bitumen shall not be mixed during transportation or storage. The Designated Delivery Warehouse has the right to monitor and manage the transportation process of bitumen and, if it believes any potential quality problem may exist, conduct a sample inspection. The owner will be required to unload only after the bitumen passes the inspection.

The to-be-loaded-in bitumen at a Designated Delivery Warehouse shall be inspected by a Designated Inspection Agency in terms of quality and weight. The quality shall be that shown on the quality inspection report issued by the Designated Inspection Agency; and a standard warrant may only be issued if the report indicates that the bitumen meets the quality standards of the Exchange. The weight shall be that shown on the weight inspection report issued by the Designated Inspection Agency. The owner shall ensure that the bitumen loaded in meets the quality standards of the Exchange.

**Article 22** Owner’s oversight of load-in

An owner shall oversee the load-in of its bitumen into the Designated Delivery Warehouse, if not, the owner will be deemed to have agreed the testing results of the Designated Inspection Agency.

**Article 23** Storage of bitumen

The bitumen of different manufacturers shall be stored in different tanks.

**Article 24** Required documents for deliverable commodity

(i) Domestic bitumen: the certificate of quality issued by the registered manufacturer, loading document issued by the original factory, and the original of the testing certificate issued by the Designated Inspection Agency.

(ii) Imported bitumen: the customs declaration form, the original of the customs clearance form (to be returned by the Exchange after photocopying), the certificate of commodity inspection, and the original of the testing certificate issued by the Designated Inspection Agency.

If there has been any adjustment to national policies on such matters as tax and commodity inspection, the revised policies shall prevail. Under such circumstance, the Exchange will separately announce the new requirements for the documents of imported commodity.

**Article 25** Issuance of standard warrants

(i) The Exchange reviews the documents

After load-in and acceptance of bitumen, the carrying Member shall bring the required documents to the Exchange for review and verification. Once the documents are verified, the Exchange will instruct the Designated Delivery Warehouse to issue standard warrants through the Standard Warrant Management System.

(ii) The warehouse issues standard warrants

After receiving the Exchange’s instruction to issue standard warrants, the Designated Delivery Warehouse shall issue them through the Standard Warrant Management System.

**Article 26** Take delivery

(i) Where the lawful bearer of a standard warrant intends to take delivery, the Designated Delivery Warehouse shall release the commodities after verifying the standard warrant. The owner may take delivery directly or indirectly by authorizing the Designated Delivery Warehouse to ship the commodity.

(ii) At load-out, the Designated Delivery Warehouse shall heat the bitumen stored in the tanks to a temperature of no lower than 130 degrees Celsius and no higher than 160 degrees Celsius.

(iii) Load-out inspection

Any lawful bearer of a standard warrant who intends to take delivery shall engage a Designated Inspection Agency to conduct on-site inspection on the quality and weight of the bitumen to be delivered. The weight of bitumen shall be that shown on the weight inspection report issued by the Designated Inspection Agency. Quality inspection shall be based on samples taken from the tank, which are to be divided into Sample A, to be used for testing, and Sample B, to be sealed and preserved as a specimen.

Any owner who does not engage a Designated Inspection Agency to conduct the inspection shall be deemed to have approved the quality and weight of the shipment and the Designated Delivery Warehouse will no longer handle any objection over the bitumen thus delivered.

(iv) Acceptance of quality dispute

Any lawful bearer of a standard warrant who disputes the quality of the delivered bitumen shall submit a written objection, accompanied by the quality inspection results issued by the Designated Inspection Agency, to the Designated Delivery Warehouse within ten (10) business days following the physical delivery; failing which, the bearer shall be deemed to have no objection over the delivered bitumen and the Designated Delivery Warehouse will no longer handle any objection regarding any bitumen thus delivered.

(v) Completion of load-out confirmation form

When shipping any bitumen, the Designated Delivery Warehouse shall promptly complete a *Load-out Confirmation Form for Standard Warrant* in duplicate, one for the owner and one for itself, and properly retain its copy for future examination.

**Article 27** The buyer and the seller shall arrange the transportation options themselves if they intend to conduct physical delivery at a Designated Delivery Venue.

**Article 28** A Designated Delivery Warehouse shall assume full responsibilities for the quality, quantity, safety, and other relevant aspects of any bitumen in storage from its acceptance and load-in to its load-out. The Exchange will inspect the quality of the bitumen in storage annually.

**CHAPTER 4 FACTORY DELIVERY**

**Article 29** “Factory Delivery” refers to a form of physical delivery conducted with the standard warrants created by Designated Bitumen Factories (“Factories”) in accordance with the prescribed procedures.

“Factory” refers to a bitumen manufacturer’s facility which has been approved and designated by the Exchange for the physical delivery of bitumen futures. “Factory standard warrant” refers to a document for taking delivery of commodities that an Exchange-approved Factory issues via the Exchange’s Standard Warrant Management System according to the procedures prescribed by the Exchange.

**Article 30** Application of factory standard warrants

Before issuing any factory standard warrants, a Factory shall submit an application to the Exchange, specifying such information as the product, name of the carrying Member, name of the owner, and the quantity of standard warrants to be issued.

A Client shall authorize its carrying FF Member to handle the procedures with respect to such application.

**Article 31** Guarantees provided by a Factory

Before or at the same time as submitting the said application, A Factory shall, pursuant to the relevant rules, provide to the Exchange a performance bank guarantee or other payment guarantee recognized by the Exchange which corresponds with the quantity of standard warrants to be issued.

In the event of any significant fluctuation in the price of bitumen, the Exchange may, based on market changes, require the Factory to adjust existing guarantees.

**Article 32** Approval by the Exchange

If the approved storage capacity of a Factory permits and the guarantee provided by the Factory is satisfactory, the Exchange will decide whether to approve the issuance of factory standard warrants within three (3) trading days.

“Approved storage capacity” refers to the maximum quantity of factory standard warrants that a Factory may issue, including those issued and not canceled.

The confirmation of and adjustment to the approved storage capacity of each Factory shall be approved and announced by the Exchange.

The Exchange will determine the approved storage capacity of a Factory based on such indicators as its daily production capacity, storage capacity, daily shipment quantity, and credit standing.

**Article 33** Issuance of factory standard warrants

(i) The Exchange reviews documents

The carrying Member shall bring the document evidencing the settlement of commodity payment between the owner and the Factory, the bank performance guarantee, and other required documents to the Exchange for review and verification. Once the documentations are verified, the Exchange will instruct the Factory to issue standard warrants through the Standard Warrant Management System.

(ii) The Factory issues standard warrants

After receiving the Exchange’s instruction to issue factory standard warrants, a Factory shall issue them through the Standard Warrant Management System.

**Article 34** Factory standard warrants can be used for delivery, transfer, taking delivery, and other purposes prescribed by the Exchange, provided that a Factory shall not use any standard warrant that it issues in the capacity of an owner as margin.

**Article 35** The lawful bearer holding a factory standard warrant shall pay storage fees to the issuing Factory during the holding period.

**Article 36** “Cancellation of a factory standard warrant” refers to the process whereby the lawful bearer of the warrant applies to a Factory via the Exchange’s Standard Warrant Management System for taking the underlying commodity out of the Factory or converting the warrant into a warehouse receipt for physical products, and the Factory, after granting its approval, withdraws the warrant from circulation.

**Article 37** All factory standard warrants created before September 15 (in case that day falls on a public holiday, the date shall be postponed accordingly) each year shall be canceled before the last business day (inclusive) of October.

**Article 38** Provisions on daily shipment quantity

“Daily shipment quantity” of a Factory means the minimum shipment quantity of bitumen that the Factory shall arrange within twenty-four (24) hours. The confirmation of and adjustment to daily shipment quantity of a Factory shall be approved and announced by the Exchange. The Factory shall not change its daily shipment quantity without authorization. If a manufacturer needs to change its daily shipment quantity for routine maintenance and repair or other reasons, it shall apply to the Exchange for approval in advance.

**Article 39** Application for taking delivery

(i) An owner who intends to take delivery shall submit an application through the Standard Warrant Management System to the Factory prior to the 25th day (in case that day falls on a public holiday, the date shall be advanced accordingly) of the month prior to the proposed take-delivery month. The application shall specify such information as the product, quantity, the proposed take-delivery date, method, and plan (including daily quantity), as well as the identification certificate number and telephone number of the delivery taker.

(ii) The Factory will confirm the owner’s application within two (2) business days of receiving it after considering, among others, the owner’s proposed take-delivery date and plan as well as corresponding manufacturer’s production plan.

If the owner’s proposed take-delivery date coincides with that of other owners holding factory standard warrants and their total daily take-delivery quantity exceeds the daily shipment quantity of the Factory, then the Factory may make an overall arrangement for shipment considering the order of their submission of applications, their take-delivery plans, and production plans. The factory shall also provide the owner with a take-delivery time period to choose from and a corresponding shipment plan (including daily shipment quantity) within two (2) business days after the owner’s submission of application. If agreeing to the arrangement, the owner may choose one day from the said period as the take-delivery date and confirm the shipment plan; If not, the owner may renegotiate with the Factory until they agree on a take-delivery date and the shipment plan. The Factory shall arrange for shipment from the first day of the proposed take-delivery month, unless otherwise agreed with the owner.

(iii) The Factory shall be exempt from any financial liability for any owner’s delay in taking delivery due to the coincidence described in the foregoing paragraph, provided that the Factory shall timely report such delay and its causes to the Exchange for written record.

**Article 40** The weight of bitumen loaded out shall be established by the weight inspection of the Factory. Any load-out tolerance (after deducting a loss of 1‰) of bitumen shall be settled between the Factory and the owner at the settlement price of the corresponding Exchange-listed nearest month futures contract on the trading day preceding the load-out day.

**Article 41** An owner may take delivery directly or indirectly by authorizing the Factory to ship the commodity. In the latter case, the owner shall oversee the shipping process at the Factory. Otherwise, the owner shall be deemed to have confirmed the shipping is correct. When taking delivery, the owner shall settle related fees and costs with the Factory.

**Article 42** The Factory shall ensure that the bitumen loaded out meets the quality standards provided in the bitumen futures contract of the Exchange. During the load-out of bitumen, the Factory shall provide the certificate of quality to the owner, takes bitumen samples from different tanks at the presence of the owner, and seals them after confirmation by both parties. The Factory shall retain the bitumen samples for a period of sixty (60) days from the date of shipment as the basis for resolving any possible quality dispute. The temperature of the bitumen at load-out shall not be lower than 130 degrees Celsius and no higher than 160 degrees Celsius.

**Article 43** A Factory shall, on a daily basis, report the quantity of bitumen shipped to each owner to the Exchange for future examination.

**Article 44** Factories and owners shall properly retain bitumen shipment and take-delivery documents as the basis for resolving any possible disputes between them.

**Article 45** An owner shall take delivery at the Factory on the agreed take-delivery date according to the take-delivery plan. If the owner misses the agreed take-delivery date but takes delivery within seven (7) days (including the 7th day) thereafter or if the owner fails to take delivery according to the agreed daily take-delivery plan due to any reasons not attributable to the Factory, then the Factory shall remain responsible for the quality of the commodity according to the bitumen futures specifications, and shall make an overall shipment plan based on the take-delivery quantities of all owners until all corresponding commodities are shipped. The owner shall pay an overdue fine to the Factory.

Overdue fine = 5 yuan/metric ton per day × quantity of commodity that should have been taken × number of days overdue

Any shipment delay caused by the owner shall be resolved as agreed between the parties if they reach a separate agreement.

**Article 46** If an owner fails to take delivery at the Factory within seven (7) days (including the seventh day) after the agreed take-delivery date, which leads to the cancellation of its factory standard warrants, then the underlying commodities will be converted into physical products, and the owner shall pay an overdue fine to the Factory and negotiate details for taking delivery with the Factory. Overdue fine = 35 yuan/metric ton × quantity of commodity that should have been taken

**Article 47** If an owner takes delivery on the agreed take-delivery date at the Factory, but the Factory fails to ship the commodity according to the agreed shipment plan but still starts the shipment as planned within seven (7) days (including the seventh day) after the agreed take-delivery date, then the Factory shall pay compensation to the owner.

Compensation = 50 yuan/metric ton × quantity of commodity that should have been shipped according to the daily shipment plan

**Article 48** If the Factory fails to start the shipment as per the daily shipment plan within seven (7) days (including the seventh day) after the agreed take-delivery date, the owner may choose either of the followings:

(i) On the seventh day after the agreed take-delivery date, the owner may notify the Factory that it will cease accepting any commodity that should have been shipped from the eighth day after the agreed take-delivery date, and the Factory shall refund the corresponding commodity payment and pay additional compensation to the owner.

Refunded commodity payment and additional compensation = compensation settlement price × quantity of commodity that should have been shipped × 120%

The compensation settlement price is the settlement price of the corresponding Exchange-listed nearest month futures contract on the trading day preceding the eighth day after the agreed take-delivery date.

(ii) If on the seventh day after the agreed take-delivery date, the owner fails to notify the Factory that it will cease accepting any commodity that should have been shipped, the parties shall negotiate the details on taking delivery of such commodity.

**Article 49** If a Factory commits any default described in Article 46 or 47, it shall directly pay compensation to the owner. If the Factory fails to make the payment in full or in part, the Exchange shall pay the deficient amount to the owner in the following steps:

(i) with the bank performance guarantees or other guarantees provided by the Factory; or

(ii) with the Exchange’s funds and recourse to the Factory by such means as legal proceedings.

**Article 50** If an owner commits any default described in Article 44 or 45, it shall directly pay overdue fine to the Factory. If the owner fails to make the payment in full or in part, the Factory may recourse to the owner by such means as legal proceedings.

**Article 51** If any losses are incurred to either a Factory or an owner due to any event described in Article 44, 45, 46, or 47, and both parties agree to reach a separate agreement, such agreement shall prevail. The agreement shall be filed with the Exchange for record.

**Article 52** If the shipment or take-delivery is made impossible due to force majeure, neither the Factory nor the owner shall pay overdue fine or compensation to the other party.

**Article 53** Upon agreement, a Factory and an owner may choose to consult with each other to determine a shipment date and plan at the submission of a take-delivery application. In this case, corresponding factory standard warrants will be canceled, and the underlying commodity will be deemed to have been converted into physical products and no longer subject to applicable provisions herein. However, both parties shall retain their relevant agreements.

**Article 54** After the factory standard warrants are canceled, the Factory may apply to the Exchange to adjust the value of its guarantees.

**Article 55** Quality dispute resolution

Any lawful bearer of a factory standard warrant who disputes the quality of any delivered commodity stored in a Designated Bitumen Factory shall submit a written objection, accompanied by the quality inspection results issued by the Designated Inspection Agency, to the Exchange within ten (10) business days following the physical delivery; failing which, the bearer shall be deemed to have no objection over the delivered bitumen and the Exchange will no longer handle any objection regarding any bitumen thus delivered.

**CHAPTER 5 EXCHANGE OF FUTURES FOR PHYSICALS**

**Article 56** “Exchange of Futures for Physicals” refers to a process where the Members or Clients who hold opposite positions in a futures contract expiring in the same month agree to, subject to the approval of the Exchange, tender a notice to have their respective positions in such contract closed out by the Exchange at the price prescribed by the Exchange; then at the price agreed upon, the seller transfers to the buyer the warrant or warehouse receipt of the same quantity, same or similar underlying commodity, and same direction as the futures contract.

**Article 57** The EFP period is from the listing day of a contract intended for EFP to the second trading day (inclusive) before the last trading day of the contract.

After a buyer and a seller (or their carrying Members) who hold opposite positions in a contract expiring in the same month agree to enter into an EFP, either of them shall submit an EFP application to the Exchange through the Standard Warrant Management System by 2:00 p.m. on any trading day within the EFP application period (“EFP Application Day”).

If non-standard warrants are used for delivery, the buyer and the seller (or their carrying Members) shall comply with applicable national laws and regulations and provide photocopies of relevant purchase agreement and warehouse receipt.

**Article 58** EFP is only applicable to positions in bitumen futures opened before the EFP Application Day.

**Article 59** The final settlement price for an EFP is the price as agreed by the buyer and the seller (or their carrying Members).

**Article 60** Positions held by the buyer and the seller in the delivery month contract that correspond to their EFP application shall be closed out by the Exchange prior to 3:00 p.m. on the EFP Application Day at the settlement price of the delivery month contract on the preceding trading day.

**Article 61** If standard warrants are used in the EFP, all relevant documents, including commodity payment and the warrants, shall be exchanged on the Exchange by 2:00 p.m. on the first trading day after the EFP Application Day. The trading margin for the EFP shall be calculated based on the settlement price of the delivery month contract on the trading day preceding the EFP Application Day.

**Article 62** The seller shall submit the special VAT invoice to the Exchange within seven (7) days after completing the EFP procedures. If the Exchange receives the special VAT invoice before 2:00 p.m., it shall, after verifying the accuracy thereof, release the corresponding margin to the seller; otherwise, the Exchange shall release the corresponding margin at the clearing on the following trading day. The Exchange shall issue a special VAT invoice to the buyer on the business day after the day on which it received the seller’s special VAT invoice.

Any failure to submit the special VAT invoice within the prescribed time period shall be handled in accordance with the *Clearing Rules of the Shanghai Futures Exchange*.

**Article 63** Where non-standard warrants are used in an EFP, the commodity payment and other relevant documents may be exchanged indirectly via the Exchange or directly between the buyer and the seller (or their carrying Members), as agreed by the buyer and the seller (or their carrying Members). Any dispute arising from this delivery process shall be resolved by the buyer and the seller (or their carrying Members), and the Exchange will no longer be liable for any performance guarantees.

**Article 64** Delivery payment for an EFP settled via the Exchange may be made through in-house transfer or bank transfer.

**Article 65** If a delivery is not completed within the time period specified in this Chapter, the provisions in these *Bitumen Futures Delivery Rules* on delivery default shall apply.

**Article 66** Any non-bona fide EFP shall be handled in accordance with the *Enforcement Rules of the Shanghai Futures Exchange*.

**Article 67** The Exchange will promptly publish all EFP-related information.

**CHAPTER 6 DELIVERY DEFAULT**

**Article 68** Any of the following acts shall constitute delivery default:

(i) A seller fails to deliver all the standard warrants within the prescribed delivery period;

(ii) A buyer fails to make all the commodity payment within the prescribed delivery period; or

(iii) Other acts as determined by the Exchange.

**Article 69** The following formulas apply when calculating the number of contracts on which a buyer or a seller has committed delivery default:

Seller default quantity (in lots) = quantity (in lots) of standard warrants to be delivered – quantity (in lots) of standard warrants actually delivered

Buyer default quantity (in lots) = (commodity payment due – commodity payment made) ÷ final settlement price ÷ contract size

In connection with calculating the amount of delivery default based on the buyer default quantity, 20% of the value of the contracts in default shall be provisioned from the buyer’s corresponding margin balance as liquidated damages and fine.

**Article 70** In the event of delivery default, the Exchange shall notify the defaulting party and the non-defaulting party of the default by 4:30 p.m. on the day of the default. A default notice is deemed to have been delivered after being sent via the Member Service System.

**Article 71** In the event of delivery default, the defaulting party shall pay the non-defaulting party liquidated damages equaling 20% of the value of the contracts in default (calculated at the final settlement price). The delivery terminates after the Exchange returns the commodity payment or the standard warrants to the non-defaulting party.

**Article 72** Where both the buyer and the seller are in default, the Exchange will terminate the delivery and impose a fine on each equaling 5% of the value of the contracts in default.

**Article 73** The termination of delivery shall relieve the Exchange of any delivery guarantees.

**Article 74** Where a Member commits delivery default on some of its transactions, any standard warrants or commodity payment it receives can be used as remedy.

**Article 75** Any Member who intentionally defaults on physical delivery shall be handled in accordance with the *Enforcement Rules of the Shanghai Futures Exchange*.

**Article 76** Any Member or Designated Delivery Warehouse involved in default is obligated to provide evidence related to the default. A Member’s refusal to provide such evidence shall have no bearing on the finding of fact.

**Article 77** Any delivery dispute arising between a buyer or seller and a Designated Delivery Warehouse shall be handled in accordance with the *Enforcement Rules of the Shanghai Futures Exchange*.

**Article 78** If either or both of the buyer and the seller cannot perform all or part of its/their obligations due to force majeure, it/they may be partially or fully exempt from the resulting liabilities for breach of agreement to the extent that it was/they were adversely affected by the force majeure.

**CHAPTER 7 MISCELLANEOUS**

**Article 79** The Exchange reserves the right to interpret these *Bitumen Futures Delivery Rules*.

**Article 80** Matters not covered herein shall be governed, mutatis mutandis, by the *Articles of Association* *of the Shanghai Futures Exchange*, the *General Exchange Rules* *of the Shanghai Futures Exchange*, and other implementing rules of the Exchange.

**Article 81** These *Bitumen Futures Delivery Rules* shall take effect on September 1, 2020.