Appendix 6

**FUEL OIL FUTURES DELIVERY RULES OF THE SHANGHAI FUTURES EXCHANGE**

**(Revised)**

**CHAPTER 1 GENERAL PROVISIONS**

**Article 1** These *Fuel Oil Futures Delivery Rules* are made in accordance with the *General Exchange Rules of the Shanghai Futures Exchange* and related detailed implementation rules to ensure the smooth delivery of fuel oil futures at the Shanghai Futures Exchange (the “Exchange”) and to regulate physical delivery activities.

**Article 2** These *Fuel Oil Futures Delivery Rules* shall apply to delivery against fuel oil futures contracts on the Exchange and shall be observed by the Exchange, Members, Clients, and Designated Delivery Depots, etc.

**Article 3** Fuel oil futures contracts shall be settled through bonded delivery, which refers to the delivery of the underlying fuel oil which is stored, under bonded status and customs supervision, in bonded tanks at Designated Delivery Depots.

Fuel oil futures contracts shall be delivered at the depot.

An expired fuel oil futures contract shall be physically settled according to the delivery procedures. A fuel oil futures contract may be physically delivered through an Exchange of Futures for Physicals (“EFP”) before expiration.

**Article 4** 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 the tax invoices specified by the Exchange is not permitted to engage in physical delivery.

A natural person Client shall reduce its open positions in any fuel oil 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 5** Physical delivery against any expired contract shall take place at a Designated Delivery Depot (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.

**CHAPTER 2 DELIVERY PROCEDURES**

**Article 6** “Delivery procedures,” 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 bonded standard warrants in accordance with the prescribed procedures.

**Article 7** The quality of fuel oil shall be established at load-in and load-out by the Designated Inspection Agencies of the Exchange (the list of which is to be separately announced by the Exchange) using the sampling method specified in GB/T 4756 and the test methods specified in the fuel oil contract.

The inspection agency for fuel oil intended for load-in shall be selected from the foregoing list by the seller; the inspection agency for fuel oil intended for load-out shall be selected from the list by the buyer. If the Designated Delivery Depot 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 Depot may apply to the Exchange to select an inspection agency for them. The buyer, seller, and Designated Delivery Depot shall cooperate with the Designated Inspection Agency in the inspection process. Unless otherwise provided in these *Fuel Oil Futures Delivery Rules*, the load-in inspection fee shall be borne by the seller, the load-out inspection fee shall be borne by the buyer.

**Article 8** An owner of fuel oil shall coordinate with relevant parties such as the dock, port, pipeline companies, customs, and inspection agencies before submitting its load-in application to the Exchange no later than fifteen (15) days prior to the proposed date of load-in. A Client shall authorize its carrying FF Member to submit the load-in application (delivery notice).

**Article 9** If storage capacity permits, the Exchange will determine whether to approve a load-in application within three (3) business days of receiving relevant application materials based on the owner’s intents. Following approval, the owner shall ship commodity to the relevant Designated Delivery Depot within the load-in period, which is fifteen (15) days from the date of approval. The Exchange may adjust the load-in period as appropriate.

**Article 10** 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 bonded standard warrants. If only a portion of the quantity specified in the load-in application is loaded in, the corresponding application deposit to the shortfall shall be credited to the Designated Delivery Depot as compensation; if none of the specified quantity is loaded in, the deposit shall be fully credited to the Designated Delivery Depot as compensation. Where the actual load-in quantity is within the quantity overfill or underfill for the futures contract, the deposit shall be fully refunded.

**Article 11** Before unloading, an owner shall engage a Designated Inspection Agency to test the fuel oil for density, kinematic viscosity, sulfur content, moisture, and flash point in accordance with the standards and methods specified in the futures contract. Fuel oil shall be unloaded only after passing the test.

**Article 12** A Designated Delivery Depot shall inspect the fuel oil it receives and verify the accompanying documentations.

**Article 13** An owner shall engage a Designated Inspection Agency to inspect its fuel oil at load-in. The inspection consists of quality assay and weight inspection.

(i) Quality inspection

Prior to load-in, the Designated Inspection Agency shall take and seal fuel oil samples from the ship tanks or other transport containers (Sample A) and from the depot (Sample B). Sample A is further divided into A1, comprising several samples taken from each ship tank or each container, and A2, a mixture of all the samples of A1. After load-in, the Designated Inspection Agency shall take a sample of the mixed fuel oil in the depot (Sample C), test it, and issue a testing report. If Sample C is qualified, it means the fuel oil delivered by the owner is of satisfactory quality and the testing report shall serve as the inspection report for such fuel oil.

If Sample C is unqualified, the Designated Inspection agency shall test Sample A and Sample B, with one of the following four outcomes:

(1) Sample A is qualified and Sample B is unqualified. This means the fuel oil delivered by the owner is of satisfactory quality. The Designated Delivery Depot shall be held accountable for the unqualified mixed fuel oil in the depot and shall bear the testing expenses for Samples A and B.

(2) Sample A is unqualified and Sample B is qualified. This means the fuel oil delivered by the owner is of unsatisfactory quality. The owner shall be held accountable for the unqualified mixed fuel oil in the depot and shall bear the testing expenses for Samples A and B.

(3) Both Sample A and Sample B are qualified. This means the fuel oil delivered by the owner is of satisfactory quality. The Designated Delivery Depot shall be held accountable for the unqualified mixed fuel oil in the depot and shall bear the testing expenses for Samples A and B.

(4) Both Sample A and Sample B are unqualified. This means neither the fuel oil delivered by the owner nor that held by the depot before the load-in is of satisfactory quality. The owner and the Designated Delivery Depot shall be held jointly accountable for the unqualified mixed fuel oil in the depot, and respectively bear the testing expenses for Samples A and B.

In all these four scenarios, Sample A will be deemed unqualified if any sample from Sample A1 or A2 fails the test. In this case, the testing report for Sample A shall serve as the inspection report for the fuel oil delivered by the owner.

(ii) Weight inspection. The weight of fuel oil loaded in shall be measured by the shore tanks of the Designated Delivery Depot.

**Article 14** The owner shall ensure the fuel oil it delivers meet the quality standards of the Exchange, and assume full responsibilities and liabilities arising from a material quality degradation (i.e., failing to meet the quality standards of the Exchange) of the entire tank of fuel oil due to the unqualified quality of the fuel oil it delivers.

**Article 15** An owner shall oversee the load-in of its fuel oil into the Designated Delivery Depot, or be deemed to have agreed the testing results of the Designated Inspection Agency.

**Article 16** An owner shall provide the original or photocopy of such required documentation for delivered commodity as the testing certificate issued by the Designated Inspection Agency, warehouse receipt, commodity inspection certificate issued by the loading port, customs load-in approval document, and inspection certificate for bonded pre-mixed marine fuel oil, which will be returned by the Exchange after being verified and photocopied.

**Article 17** After load-in and acceptance of fuel oil, the carrying Member shall bring the required documentations for delivered commodity to the Exchange for review and verification. Once the documentations are verified, the Exchange will instruct the Designated Delivery Depot to issue bonded standard warrants through the Standard Warrant Management System.

**Article 18** A bonded standard warrant for fuel oil is valid till the last delivery month of the second year following its effectiveness, after which month the underlying fuel oil will be converted to physical products.

A Designated Delivery Depot shall transfer fuel oil underlying expired bonded standard warrants to the physical fuel oil tank.

**Article 19** Delivery procedures

Physical delivery of fuel oil underlying a contract shall be completed within the three (3) consecutive business days immediately following the last trading day of the contract. These three (3) delivery days are called the First, Second, and Third Delivery Day, respectively. The Third Delivery Day is the last delivery day.

(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.

2. The seller submits to the Exchange through the Standard Warrant Management System bonded 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 Depots will be approved and separately published by the Exchange).

(ii) The Second Delivery Day

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

Bonded standard warrants that cannot be used for the physical delivery of later-month futures contracts shall be prorated among the buyers according to their relative share in the total delivery volume of the current month.

(iii) The Third Delivery Day

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

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

**Article 20** Bonded standard warrants shall circulate as follows in physical delivery through the Exchange:

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

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

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

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

**Article 21** The seller shall submit the Exchange-specified tax 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 bonded standard warrant, commodity payment, and the tax invoices specified by the Exchange 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 during the clearing on the following trading day.

**Article 22** Take delivery

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

(ii) Any lawful bearer of a bonded 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 fuel oil to be delivered. The weight of fuel oil loaded out shall be measured by the shore tanks of the Designated Delivery Depot. 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.

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 Depot and the Exchange will no longer handle any objection regarding the fuel oil thus delivered.

(iii) Any lawful bearer of a bonded standard warrant who disputes the quality of the delivered fuel oil shall submit a written objection, accompanied by the quality inspection results issued by the Designated Inspection Agency, to the Designated Delivery Depot within ten (10) business days following the issuance of the testing report by the Designated Inspection Agency; failing which, the bearer shall be deemed to have no objection over the delivered fuel oil and the Designated Delivery Depot and the Exchange will no longer handle any objection regarding any fuel oil thus delivered.

(iv) When shipping any fuel oil, the Designated Delivery Depot shall complete a *Load-out Confirmation Form for Bonded Standard Warrant* in duplicate, one for the owner and one for itself, and properly retain its copy for future review.

**Article 23** Loss compensation and overfill or underfill

(i) Loss compensation

The owners of fuel oil at load-in and at load-out shall respectively pay the Designated Delivery Depot the load-in loss compensation and the load-out loss compensation according to the formulas below, which shall be settled within three (3) business days after the relevant Designated Inspection Agency issues a testing report:

Load-in loss compensation = weight of fuel oil indicated on the issued bonded standard warrants × 0.6‰ × (settlement price of the nearest month fuel oil futures contract on the trading day preceding the load-in completion day + delivery premiums or discounts);

Load-out loss compensation = weight of fuel oil indicated on the issued bonded standard warrants × 0.6‰ × (settlement price of the nearest month fuel oil futures contract on the trading day preceding the load-in completion day + delivery premiums or discounts);

(ii) Overfill or underfill

“Overfill or underfill” for fuel oil at load-in or load-out refers to the difference between the weight indicated on the weight certificate issued by the Designated Inspection Agency and the weight specified on the issued or canceled bonded standard warrant. For fuel oil, the weight overfill or underfill at load-in or load-out shall not exceed ±3% and shall be settled by the owner directly with the Designated Delivery Depot according to the formula below within three (3) business days after the Designated Inspection Agency issues the testing report:

Load-in or load-out overfill or underfill payment = allowable quantity overfill or underfill of fuel oil × (settlement price of the nearest month fuel oil futures contract on the trading day preceding the load-in or load-out completion day + delivery premiums or discounts);

**Article 24** The final settlement price for a fuel oil futures contract is the arithmetic mean of the contract’s settlement prices in the last five (5) trading days on which it has been executed.

**Article 25** The bonded final settlement price of an expired fuel oil futures contract shall be the basis for assessing the duty-inclusive price for the bearer of corresponding bonded standard warrant. The formula for calculating the bonded final settlement price is: bonded final settlement price = final settlement price.

The delivery payment corresponding to a bonded standard warrant for fuel oil is:

Delivery payment for expired contract = bonded final settlement price × delivery quantity;

Delivery payment for EFP = EFP bonded final settlement price × delivery quantity;

**Article 26** The buyer and the seller participating in the physical delivery shall each pay the Exchange a delivery fee of 1 yuan/metric ton.

**Article 27** The buyer and the seller shall themselves arrange the transportation options if they intend to conduct physical settlement at a designated delivery venue.

**Article 28** A Designated Delivery Depot shall assume full responsibilities for the quality, safety, and other relevant aspects of any fuel oil in storage from its acceptance and load-in to its load-out.

**Article 29** Load-in and load-out operations at a Designated Delivery Depot shall not impair the quality and weight of fuel oil. A Designated Delivery Depot shall, both before and after each load-in or load-out, ensure that the pipelines are either fully filled or emptied, that oil inside the pipelines will not affect the quality of the oil to be loaded in or out, and that oil may flow freely inside the pipelines. The temperature of the fuel oil at load-in and load-out shall not be lower than 35 degrees Celsius.

**Article 30** The delivery unit of a fuel oil futures contract is ten (10) metric tons. Delivery shall be made in multiples of the delivery unit.

**Article 31** Grade and quality specifications for fuel oil are specified in the *SHFE Fuel Oil Futures Contract*.

**Article 32** The minimum load-in or load-out weight for fuel oil is one thousand (1,000) metric tons, unless, in the case of load-out weight, the owner and the Designated Delivery Depot have agreed on another quantity.

**CHAPTER 3 EXCHANGE OF FUTURES FOR PHYSICALS**

**Article 33** “Exchange of Futures for Physicals” refers to a process where a buyer and a seller 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 of the same quantity and the same or similar type of underlying commodity as the futures contract.

A fuel oil futures contract may be physically settled by EFP before expiration.

**Article 34** The EFP application period for a fuel oil futures contract is from the listing day of the contract to the second trading day (inclusive) before the last trading day of the contract.

**Article 35** Members and Clients may publish their EFP intents through the Standard Warrant Management System. Each intent shall specify, among others, the Client code, product, contract month, trading direction, EFP settlement method, quantity, and contact information. Buyers and sellers may reach EFP agreement on their own initiative based on the EFP intents published by the Exchange.

**Article 36** After a buyer and a seller 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”). The EFP may be carried out once it is approved by the Exchange.

EFP is only available to positions in fuel oil futures opened before the EFP Application Day.

**Article 37** If the parties to an EFP intend to use bonded standard warrants and settle via the Exchange, their carrying Members shall submit a corresponding application to the Exchange in advance.

**Article 38** The final settlement price for EFP is the price as agreed by the buyer and the seller. For an EFP that is conducted using bonded standard warrants and settled through the Exchange, the bonded final settlement price shall be as follows:

Bonded final settlement price for the EFP = settlement price of the delivery month contract on the trading day preceding the EFP Application Day.

**Article 39** 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 bonded final settlement price for the EFP.

**Article 40** For any EFP that is conducted using bonded standard warrants and settled through the Exchange, the Trading Margin shall be based on the settlement price of the corresponding delivery month contract on the trading day preceding the EFP Application Day; the exchange of commodity payment and bonded standard warrants shall be completed by the buyer and the seller through the Exchange within the agreed time period.

**Article 41** For any EFP that is conducted using bonded standard warrants and cleared and settled directly between the buyer and the seller, the off-the-exchange transfer of standard warrants shall be governed, mutatis mutandis, by the *Standard Warrant Rules of the Shanghai Futures Exchange*; alternatively, such transfer may be conducted directly between the buyer and the seller following delivery.

**Article 42** If the parties to an EFP intend to use bonded standard warrants and settle via the Exchange, the seller shall submit the tax invoice to the Exchange within five (5) business days following the settlement of commodity payment and bonded standard warrants. If the Exchange receives the tax invoice before 2:00 p.m., it shall, after verifying the accuracy thereof, release the corresponding margin to the seller at clearing on the same day; otherwise, the Exchange shall, after such verification, release the corresponding margin at clearing on the following business day. The Exchange shall issue a tax invoice to the buyer on the business day after the day on which it received the seller’s tax invoice.

If the tax invoice submitted by the seller is overdue for three (3) to ten (10) days, an overdue fine of 0.5‰ of the commodity payment will be imposed for each day of delay; if overdue for eleven (11) to thirty (30) days, 1‰ of the commodity payment will be imposed for each day of delay; if overdue for over thirty (30) days, the seller shall be deemed to have failed to submit the tax invoice and be charged liquidated damages of 20% of the commodity payment.

**Article 43** Delivery payment for an EFP settled via the Exchange shall be made through such methods as in-house transfer or bank transfer.

**Article 44** If the parties to an EFP intend to use bonded standard warrants and settle via the Exchange but fails to complete the delivery within the prescribed time period, the rules governing delivery default shall apply. In the event of a dispute over the quality of the delivered physicals, the buyer shall submit an objection, accompanied by the quality inspection report from a Designated Inspection Agency, within ten (10) business days following the issuance of the report.

**Article 45** Where an EFP is conducted using non-standard warrants, the final settlement price shall be as agreed between the buyer and the seller. The buyer and the seller shall abide by applicable laws and regulations and furnish the sales agreement, non-standard warrants, and other relevant materials. Commodity payment, non-standard warrants, and tax invoice shall be delivered by the buyer and the seller themselves. The Exchange does not provide any guarantee with respect to the quality of physicals in a delivery involving non-standard warrants should a dispute over quality arise.

**Article 46** Any *non-bona fide* EFP shall be handled in accordance with the *Enforcement Rules of the Shanghai Futures Exchange*.

**Article 47** The Exchange will promptly publish all EFP-related information.

**CHAPTER 4 DELIVERY DEFAULT**

**Article 48** Any of the following acts shall constitute delivery default:

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

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

(iii) other acts as determined by the Exchange.

**Article 49** 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 bonded standard warrants to be delivered – quantity (in lots) of bonded 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 50** 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 51** 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 will be terminated after the Exchange returns the commodity payment or the bonded standard warrants to the non-defaulting party.

**Article 52** 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 53** The termination of delivery shall relieve the Exchange of any delivery guarantees.

**Article 54** Where a Member commits delivery default on some of its transactions, any bonded standard warrants or commodity payment it receives can be used as remedy.

**Article 55** Any Member who defaults on physical delivery shall be handled in accordance with the *Enforcement Rules of the Shanghai Futures Exchange*.

**Article 56** Any Member or Designated Delivery Depot 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 57** Any delivery-related dispute between any buyer or seller and a Designated Delivery Depot shall be resolved through negotiation. If the negotiation fails, the dispute shall be submitted to the Exchange in writing within ten (10) days of its occurrence for mediation; or the Exchange will not accept the mediation application. If the mediation fails, they may, in accordance with their arbitration agreement, apply to an arbitration institution for arbitration. If such an agreement was not made or is invalid, they may initiate a lawsuit before a people’s court.

**Article 58** 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 5 MISCELLANEOUS**

**Article 59** The Exchange reserves the right to interpret these *Fuel Oil Futures Delivery Rules*.

**Article 60** Matters not covered herein shall be governed 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 61** These *Fuel Oil Futures Delivery Rules* shall take effect on September 1, 2020.