Appendix 3

**STANDARD WARRANT RULES OF THE SHANGHAI FUTURES EXCHANGE**

**(Revised)**

**CHAPTER 1 GENERAL PROVISIONS**

**Article 1** These *Standard Warrant Rules* are made in accordance with the *General Exchange Rules of the Shanghai Futures Exchange* to strengthen the management of standard warrants, regulate the activities of market participants, and ensure the smooth delivery of futures contracts traded on the Shanghai Futures Exchange (the “Exchange”).

**Article 2** The Exchange, Members, Clients, Designated Delivery Warehouses, and other participants of the standard warrant business shall observe these *Standard Warrant Rules* in their activities relating to standard warrants.

**Article 3** Standard warrants can be classified into warehouse standard warrants and factory standard warrants. “Warehouse standard warrant” refers to a document for taking delivery of commodities that a Designated Delivery Warehouse issues to the owner of the commodities pursuant to these *Standard Warrant Rules* via the Exchange’s Standard Warrant Management System after confirming the commodities pass the load-in inspection. “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. For the time being, factory standard warrants are only for futures contracts on steel rebar, wire rod, bitumen, hot-rolled coil, stainless steel, and Bleached Softwood Kraft Pulp (BSKP).

For the purpose of these *Standard Warrant Rules*, a standard warrant is a warehouse standard warrant, unless otherwise specified.

**CHAPTER 2 STANDARD WARRANT MANAGEMENT SYSTEM**

**Article 4** The Exchange shall set up a Standard Warrant Management System to manage the standard warrant activities prescribed herein. The Standard Warrant Management System shall be maintained and managed by the Exchange.

**Article 5** The Exchange, Members, Clients, Designated Delivery Warehouses, and other participants of standard warrant business shall carry out activities relating to standard warrants via the Exchange’s Standard Warrant Management System.

**Article 6** Each Member shall appoint settlement clerks to conduct delivery, clearing and settlement, and other standard warrant activities through the Standard Warrant Management System.

**Article 7** Anyone who intends to hold standard warrants and participate in standard warrant activities shall first open a standard warrant account in the Standard Warrant Management System. Each standard warrant account is assigned with a unique account number, i.e., one participant of standard warrant activities shall have only one standard warrant account.

A Member and the corresponding Designated Delivery Warehouse shall assist its Clients in opening standard warrant accounts and shall be responsible for verifying the authenticity, completeness, and validity of the materials and information the Clients submit.

**Article 8** The account opening materials that a participant of standard warrant activities provides shall be true and authentic.

**CHAPTER 3 GENERAL TERMS AND CONDITIONS ON STANDARD WARRANTS**

**Article 9** Upon being created in the Standard Warrant Management System, a standard warrant will exist in electronic form.

**Article 10** A standard warrant shall specify:

(i) the full name of the owner;

(ii) the name, quantity, quality, and number of packages of the underlying commodity;

(iii) the storage facility;

(iv) the applicable storage fees;

(v) where the underlying commodity is insured, the insurance amount and period, and the name of the insurer;

(vi) the issuer, and location and date of issuance; and

(vii) other information that shall be included in a standard warrant.

**Article 11** Standard warrants can be used for delivery, transfer, taking delivery, and other purposes prescribed by the Exchange.

**Article 12** A standard warrant may be used as margin in accordance with the provisions of the *Clearing Rules of the Shanghai Futures Exchange* on marketable securities.

**CHAPTER 4 CREATION OF STANDARD WARRANTS**

**Article 13** Procedures for creating a standard warrant include, among others, submission of a delivery notice (load-in application); load-in, inspection, and acceptance of commodity; issuance of warrant by the Designated Delivery Warehouse; and final confirmation.

**Article 14** Before shipping any commodity to a Designated Delivery Warehouse, an owner shall submit a load-in application to the Exchange.

The load-in application shall specify such information as the product, grade (designation), trademark, quantity, shipper, and the name of the proposed Designated Delivery Warehouse, along with all required documentations. A deposit shall also be paid for the load-in application of fuel oil or bitumen.

A Client shall authorize its carrying FF Member to handle all procedures with respect to the load-in application (delivery notice).

**Article 15** If storage capacity permits, the Exchange will determine whether to approve a load-in application within three (3) trading days based on the owner’s intents.

**Article 16** 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 commodity loaded in the warehouse without the approval of the Exchange or beyond the prescribed time period shall not be used for delivery.

**Article 17** A Designated Delivery Warehouse shall inspect the arrived commodity pursuant to applicable rules on futures delivery to verify the product type, grade (designation), quantity, quality, packaging, and accompanying documentations.

An owner shall oversee the inspection at the Designated Delivery Warehouse, or be deemed to have agreed the inspection results of the warehouse.

If the commodity passes the inspection, the Designated Delivery Warehouse shall enter the inspection result into the Standard Warrant Management System before the carrying Member applies to the Exchange for the creation of standard warrants.

**Article 18** After the Exchange approves the creation of a standard warrant, the Designated Delivery Warehouse reviews the data in the load-in application and creates the warrant. A reviewer of the Designated Delivery Warehouse shall double check the data in the standard warrant.

**Article 19** The bearer of a newly-issued standard warrant shall verify the warrant. If the bearer fails to do so within three (3) days upon receipt of an inspection notice, the bearer shall be deemed to have confirmed the warrant which shall then become effective automatically.

**Article 20** When issuing a standard warrant, a Designated Delivery Warehouse shall ensure that:

(i) the quantity of the underlying commodity shall equal the minimum delivery unit of a futures contract on that commodity;

(ii) the quality, packaging, and other conditions of the underlying commodity shall comply with the applicable rules of the Exchange; and

(iii) the underlying commodity shall be of the same product, manufacturer (place of origin), trademark, or grade (designation).

**Article 21** Upon being created, a standard warrant will exist in electronic form.

**CHAPTER 5 DELIVERY**

**Article 22** A holder of an expired futures contract shall perform the contract by physical delivery as follows:

(i) Authorization by the seller. The seller shall, through the Standard Warrant Management System, provide the relevant standard warrants to its carrying FF Member to effectuate the physical delivery.

(ii) On the first delivery day, the seller’s carrying Member submits to the Exchange through the Standard Warrant Management System valid standard warrants with storage fees fully paid, and the buyer’s carrying Member submits to the Exchange a notice of intention to take delivery.

(iii) On the second delivery day, the Exchange assigns the standard warrants.

(iv) On the third delivery day, the Exchange releases the standard warrants assigned to the buyer’s carrying Member after the Member makes payment. The Exchange transfers the commodity payment to the seller’s carrying Member.

(v) Allocation of warrants by the buyer’s carrying Member. The buyer’s carrying Member shall, prior to the fifth (5) business day (inclusive) following the last trading day, allocate the standard warrants under its name to its relevant buying Clients. If the Member fails to do so within the above period, it shall report the reasons to the Exchange.

**Article 23** If a buyer defaults on delivery, and its carrying Member files an application to perform the delivery on its behalf, the Exchange may, after approving the Member’s application, transfer the corresponding standard warrants to the Member’s standard warrant account. The Member may dispose of the standard warrants in accordance with the law.

**CHAPTER 6 EXCHANGE OF FUTURES FOR PHYSICALS**

**Article 24** After a buyer and a seller (or their carrying Members) agree to enter into an exchange of futures for physicals (“EFP”), either of them shall submit an EFP application within the specified time period. The EFP shall be executed after the application is confirmed by the other party and approved by the Exchange.

**Article 25** Procedures for an EFP executed using standard warrants and settled through the Exchange are as follows:

(i) Authorization from the seller. The seller shall first provide the standard warrants to its carrying FF Member to effectuate the EFP.

(ii) Submission of standard warrants by the seller’s carrying Member. The Member submits the standard warrants to the Exchange within the prescribed time period.

(iii) The Exchange assigns the standard warrants to the buyer’s carrying Member.

(iv) After the buyer’s carrying Member makes payment, the Exchange releases the standard warrants assigned to the buyer’s carrying Member and transfers the payment to the seller’s carrying Member.

(v) The buyer’s carrying Member shall, within three (3) business days after receiving the standard warrants, allocate them to its relevant Clients. If the Member fails to do so within the above period, it shall report the reasons to the Exchange.

**Article 26** If a buyer defaults on the EFP, and its carrying Member files an application to perform the EFP on its behalf, the Exchange may, after approving the Member’s application, transfer the corresponding standard warrants to the Member’s standard warrant account. The Member may dispose of the standard warrants in accordance with the law.

**Article 27** If an EFP is executed using standard warrants and settled by the parties on their own, the commodity payment shall be made by the buyer directly to the seller, with the standard warrants delivered according to the procedures for off-the-exchange circulation of standards warrants set out herein or by the seller directly to the buyer upon the delivery of the commodity.

**CHAPTER 7 PLEDGE OF STANDARD WARRANTS OFF THE EXCHANGE**

**Article 28** “Pledge of standard warrants” refers to the act where the pledger (debtor or third person) hands over its standard warrants to the pledgee (creditor) to secure repayment for certain debt. If the debtor defaults, the creditor has the right to be compensated in priority with the standard warrants at a discounted value or with the proceeds of auctioning or selling them.

**Article 29** The pledger shall list the serial numbers of the pledged standard warrants in the pledge contract signed separately with the pledgee and shall provide a duplicate of the contract to the issuing Designated Delivery Warehouse for record.

**Article 30** Standard warrants pledged off the Exchange shall be registered as follows:

(i) Application for registration by the pledger. The pledger shall file an application for pledge registration to the issuing Designated Delivery Warehouse through the Standard Warrant Management System.

(ii) The Designated Delivery Warehouse reviews the application against the duplicate of the pledge contract.

(iii) Confirmation of application by the pledgee. The pledgee may confirm the standard warrants for pledge registration through the Standard Warrant Management System.

(iv) Registration of pledge. The Designated Delivery Warehouse shall register and manage the pledged standard warrants to ensure that none of them will be used for such other purposes as delivery, transfer, taking delivery, and loss reporting.

**Article 31** During a pledge, the Designated Delivery Warehouse shall correspondingly mark and properly keep the commodity underlying the pledged standard warrant.

**Article 32** Standard warrants pledged off the Exchange shall be released as follows:

(i) Application for release by the pledgee. The pledgee shall file an application for registered pledge release to the issuing Designated Delivery Warehouse through the Standard Warrant Management System.

(ii) The Designated Delivery Warehouse reviews the application.

(iii) Confirmation of application by the pledger. The pledger may confirm the standard warrants for registered pledge release through the Standard Warrant Management System.

**Article 33** The Designated Delivery Warehouse shall deliver to the pledger and pledgee a list of pledged standard warrants and a list of those released from pledge, both bearing the signature and common seal of the warehouse.

**Article 34** If a pledgee (creditor) of standard warrants is not repaid upon the maturity of the debts, it may exercise its right over the standard warrants in accordance with the pledge contract and other applicable laws and agreements.

**CHAPTER 8 TRANSFER OF STANDARD WARRANTS OFF THE EXCHANGE**

**Article 35** Standard warrants may be transferred off the Exchange.

**Article 36** Standard warrants transferred off the Exchange may be settled directly between the buyer and the seller or indirectly through the Exchange. In the latter case, the transaction fee will be charged based on the standard of delivery fees.

**Article 37** If settled directly between the buyer and the seller, the transfer of standard warrants off the Exchange shall be made as follows:

(i) Application for transfer by the seller. The seller submits a transfer application after inputting such information as the product, Designated Delivery Warehouse, buyer’s code and name, and corresponding standard warrants.

(ii) Confirmation of transfer by the buyer. The buyer confirms the transfer application through the Standard Warrant Management System.

(iii) The Designated Delivery Warehouse reviews the transfer application.

(iv) The buyer makes the commodity payment as agreed.

(v) Release of standard warrants by the seller. Upon receiving the commodity payment, the seller releases the standard warrants to the buyer’s standard warrant account.

**Article 38** If settled through the Exchange, the transfer of standard warrants off the Exchange shall be made through the Members as follows:

(i) Application for transfer by the seller. The seller submits a transfer application after inputting such information as the product, Designated Delivery Warehouse, buyer’s code and name, seller’s carrying Member, transfer price, and corresponding standard warrants.

(ii) Confirmation of transfer by the buyer. The buyer confirms the transfer application through the Standard Warrant Management System and deposits the commodity payment into the futures dedicated fund account of the designated buyer’s Member.

(iii) The Designated Delivery Warehouse reviews the transfer application and informs the buyer, seller, and the Exchange of the results.

(iv) the Exchange prints a settlement statement for the off-the-Exchange transfer and collects and remits the commodity payment.

(v) The Exchange releases the standard warrants.

If a transfer application is submitted before 2:00 p.m. on a trading day, the Exchange will complete the transfer procedures within that day; if submitted after 2:00 p.m. on a trading day, the Exchange will complete the procedures within the next trading day.

**CHAPTER 9 CHANGE OF STANDARD WARRANTS**

**Article 39** If the bearer of a standard warrant needs to change such data of the standard warrant as the weight and number of packages or pieces of the underlying commodity, the bearer shall submit an application through the Standard Warrant Management System. After approving the application, the issuing Designated Delivery Warehouse and the Exchange will make the change.

**Article 40** Where a Designated Delivery Warehouse needs to change the storage area of the commodity underlying a standard warrant, it shall apply to the Exchange in advance. The Exchange shall respond to the application within ten (10) business days. The Designated Delivery Warehouse shall, after changing the storage area, notify the bearer of the standard warrant and promptly change the storage area data through the Standard Warrant Management System.

**Article 41** When the quality inspection certificate for the commodity underlying a standard warrant expires, the bearer of the standard warrant shall have the commodity re-inspected. After the re-inspection, the bearer shall present an application to the Exchange to change the date of quality inspection. Subject to the Exchange’s approval for the new quality inspection certificate, the relevant Designated Delivery Warehouse shall update the quality inspection certificate and date for the underlying commodity through the Standard Warrant Management System.

**CHAPTER 10 FREEZING AND LOCKING OF STANDARD WARRANTS**

**Article 42** The freezing and unfreezing of a standard warrant shall be made by the issuing Designated Delivery Warehouse. An applicant applying to freeze or unfreeze a standard warrant shall produce valid legal documents and related supporting materials to the issuing Designated Delivery Warehouse. The warehouse shall, upon verifying them, freeze or unfreeze the standard warrant through the Standard Warrant Management System.

When the standard warrant is frozen, the Designated Delivery Warehouse shall seal up the underlying commodity. After the standard warrant is unfrozen, the Designated Delivery Warehouse shall dispose of the underlying commodity pursuant to the valid legal documents.

**Article 43** A Designated Delivery Warehouse shall report the freezing and unfreezing of a standard warrant to the Exchange for record.

**Article 44** If any other dispute over a standard warrant, especially its ownership arises between the participants of standard warrant activities, the Exchange may, either at the request of the parties to the dispute or at its sole discretion, lock the standard warrant until the dispute is resolved.

**CHAPTER 11 CANCELLATION OF STANDARD WARRANTS**

**Article 45** “Cancellation of a standard warrant” refers to the process whereby the bearer of the warrant takes delivery of the underlying commodity or applies for converting the warrant into a warehouse receipt for physical products, and the Designated Delivery Warehouse, after granting its approval, withdraws the warrant from circulation.

**Article 46** “Invalidation of a standard warrant” refers to the process whereby the bearer of an effective standard warrant issued by a Designated Delivery Warehouse submits an application to invalidate the warrant due to the objection of the bearer over any data other than the weight, number of packages or pieces, storage area, or quality inspection date for the underlying commodity, and the Designated Delivery Warehouse and the Exchange, after granting their approval, cancel the warrant.

**Article 47** If a new standard warrant needs to be created in place of an invalidated standard warrant, the bearer of the invalidated warrant shall perform the delivery notice procedures with the Exchange.

**Article 48** An expired standard warrant shall not be used for futures delivery, and its bearer shall, within one (1) month upon its expiry, either take delivery of the underlying commodity or apply for the issuance of a new standard warrant at the issuing Designated Delivery Warehouse. Otherwise, the bearer who intends to take delivery after the expiry shall enter into a physical products custody agreement separately with the Designated Delivery Warehouse.

**Article 49** The bearer of a standard warrant who intends to take delivery of the underlying commodity shall submit a load-out application to the Designated Delivery Warehouse. The warehouse shall arrange shipment after approving such application. Its shipping department will ship the commodity in accordance with the standard warrant load-out checklist and other documentations.

**Article 50** The bearer of a standard warrant shall indicate the method to take delivery in its load-out application:

(i) Where the bearer takes delivery on its own, the Designated Delivery Warehouse shall release the commodities after verifying the standard warrant. The owner shall oversee the shipping process at the warehouse; otherwise, the owner shall be deemed to have confirmed the shipping is correct.

(ii) Where the owner authorizes a third party to take delivery, it shall submit a letter of authorization and, in the load-out application, specify the name of such authorized party, take-delivery password, as well as the contact person and number. The Designated Delivery Warehouse shall release the commodities after verifying the standard warrant. The authorized party shall oversee the shipping process at the warehouse; otherwise, the owner shall be deemed to have confirmed the shipping is correct.

(iii) Where the owner authorizes the Designated Delivery Warehouse to ship the commodities on its behalf, it shall submit a letter of authorization and, in the load-out application, specify the shipping address, as well as the contact person and number. The Designated Delivery Warehouse shall release the commodities after verifying the standard warrant. The owner shall confirm the shipping is correct.

**Article 51** At the load-out of the commodities, the Designated Delivery Warehouse shall prepare a standard warrant load-out checklist and have it signed and confirmed by the delivery taker.

**CHAPTER 12 MISCELLANEOUS**

**Article 52** Matters not covered herein shall be governed, mutatis mutandis, by the *Articles of Association*, *General Exchange Rules*, and other detailed implementation rules of the Exchange.

**Article 53** Specific provisions on such matters as the procedures for opening a standard warrant account and the use and operation of the Standard Warrant Management System will be set out in operating manuals separately prepared by the Exchange in accordance with these *Standard Warrant Rules*.

**Article 54** Rules governing the trading of standard warrants will be separately prescribed by the Exchange.

**Article 55** The creation, circulation, and cancellation, among others, of factory standard warrants for steel rebar, wire rod, and hot-rolled coil futures shall be governed by the applicable provisions of the *Designated Steel Factory Delivery Rules of the Shanghai Futures Exchange (Trial)*.

The creation, circulation, and cancellation, among others, of factory standard warrants for stainless steel futures shall be governed by the applicable provisions of the *Designated Stainless Steel Factory Delivery Rules of the Shanghai Futures Exchange (Trial)*.

The creation, circulation, and cancellation, among others, of factory standard warrants for bitumen shall be governed by the applicable provisions of the *Bitumen Futures Delivery Rules of the Shanghai Futures Exchange (Trial)*.

The creation, circulation, and cancellation, among others, of factory standard warrants for BSKP shall be governed by the applicable provisions of the *Bleached Softwood Kraft Pulp Factory Delivery Rules of the Shanghai Futures Exchange (Trial)*.

Matters on factory standard warrants not covered in the *Designated Steel Factory Delivery Rules of the Shanghai Futures Exchange (Trial)* and the *Designated Stainless Steel Factory Delivery Rules of the Shanghai Futures Exchange (Trial)* shall be governed, mutatis mutandis, by applicable provisions on warehouse standard warrants.

Matters on factory standard warrants not covered in the *Bitumen Futures Delivery Rules of the Shanghai Futures Exchange (Trial)* shall be governed by applicable provisions on warehouse standard warrants.

Matters on factory standard warrants not covered in the *Bleached Softwood Kraft Pulp Factory Delivery Rules of the Shanghai Futures Exchange (Trial)* shall be governed by applicable provisions on warehouse standard warrants.

The physical delivery process of gold futures shall be governed by the *Gold Futures Delivery Rules of Shanghai Futures Exchange (Trial)*.

**Article 56** Any violations of these *Standard Warrant Rules* shall be handled by the Exchange in accordance with the *Enforcement Rules of the Shanghai Futures Exchange*.

**Article 57** The Exchange reserves the right to interpret these *Standard Warrant Rules*.

**Article 58** These *Standard Warrant Rules* shall take effect on October 9,2020.