**Appendix 3**

**BUTADIENE RUBBER FACTORY DELIVERY RULES OF THE SHANGHAI FUTURES EXCHANGE (Trial)**

**CHAPTER 1 GENERAL PROVISIONS**

**Article 1** These *Factory Delivery Rules* are made in accordance with the *General Exchange Rules of the Shanghai Futures Exchange* and related implementing rules to ensure the smooth delivery of butadiene rubber (“BR”) futures at the Shanghai Futures Exchange (the “Exchange”) and regulate the delivery activities of designated butadiene rubber factories (“Factories”).

**Article 2** These *Factory Delivery Rules* shall apply to the delivery activities of Factories and shall be observed by the Exchange, Members, Clients, and Factories.

**Article 3** “Factory” refers to an enterprise legal person or an unincorporated organization that engages in the production or trading of butadiene rubber and is approved and designated by the Exchange to provide factory standard warrants, commodities, take-delivery locations, and other relevant services for the physical delivery of butadiene rubber futures contracts.

**Article 4** The application and approval of a Factory, its rights and obligations, regulation, and other matters shall be governed by reference to applicable provisions in the *Designated Delivery Warehouse Rules of the Shanghai Futures Exchange.* The Exchange has the right to exempt an applicant from providing a letter of guarantee based on its financial position, risk management capability, and operational resilience.

**Article 5** “Factory standard warrant” refers to a document for taking delivery of commodities that a Factory approved by the Exchange issues via the Exchange’s Standard Warrant Management System according to the procedures prescribed by the Exchange.

**CHAPTER 2 CREATION OF FACTORY STANDARD WARRANTS**

**Article 6** Application

Before issuing any factory standard warrants, a Factory shall submit an issuance notice 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.

**Article 7** Guarantees provided by Factories

Before issuing any factory standard warrants, a Factory shall provide to the Exchange an application and guarantee recognized by the Exchange.

**Article 8** 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.

“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 the Factory shall be approved and announced by the Exchange.

**Article 9** Issuance

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

**Article 10** Procedures for the issuance of factory standard warrants under anExchange of Futures for Physicals (“EFP”)

Procedures for an EFP where a Factory as the seller issues factory standard warrants directly to the buyer:

(i) After a Factory and a buyer who hold opposite positions in a futures contract expiring in the same month agree to enter into an EFP, either of them shall submit an EFP application and the application number for the issuance of factory standard warrants 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.

(ii) The Exchange will close out their respective positions in such contract at the price prescribed by the Exchange before 3:00 p.m. on the EFP Application Day.

(iii) Commodity payment shall be settled between the seller and the buyer. The Factory shall issue factory standard warrants directly to the buyer through applicable procedures of these *Factory Delivery Rules*.

**CHAPTER 3 CIRCULATION OF FACTORY STANDARD WARRANTS**

**Article 11** 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 12** The procedures for factory standard warrants in delivery are identical to relevant delivery procedures provided in the *Delivery Rules of the Shanghai Futures Exchange*.

**Article 13** The lawful bearer holding a factory standard warrant shall pay storage fees to the issuing Factory during the holding period; and shall pay load-out fees to the Factory when the underlying commodity is loaded out. Specific fee standards will be separately announced and adjusted by the Exchange.

**CHAPTER 4 CANCELLATION OF FACTORY STANDARD WARRANTS**

**Article 14** “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 commodities out of the Factory or converting the commodities into physical products, and the Factory, after granting its approval, withdraws the warrant from circulation.

**Article 15** Daily shipment quantity

“Daily shipment quantity” of a Factory means the minimum shipment quantity of futures commodities 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.

**Article 16** Application for taking delivery

(i) An owner who intends to take delivery shall submit an application through the Standard Warrant Management System to the intended Factory before the 20th day of the month preceding the proposed take-delivery month. The application shall specify such information as the quantity of the commodity, the proposed take-delivery date, location, method, and plan (including daily quantity), as well as the identification and contact information of the delivery taker.

(ii) The Factory will confirm the owner’s application within three (3) business days of receiving it after considering, among others, the owner’s proposed take-delivery date and take-delivery location.

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 and their take-delivery 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 three (3) 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 a shipment plan. If the negotiation fails, the Factory shall ship the commodity based on the order of take-delivery dates; if the take-delivery dates fall into the same day, the Factory shall ship the commodity based on the order of the submission of applications.

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

**Article 17** Production date of load-out commodity

The production date of load-out commodity shall be within six (6) months before the take-delivery date confirmed by the owner and the Factory.

**Article 18** Settlement for tolerance

The weight of load-out commodity shall be the net weight or content shown on its package. Any load-out tolerance shall be settled between the Factory and the owner at the settlement price of the corresponding nearest month futures contract of the Exchange on the trading day preceding the load-out day (the cancellation date of factory standard warrant).

**Article 19** 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.

**Article 20** When taking delivery, an owner shall settle related fees and costs with the Factory.

**rticle 21** The Factory shall ensure that the load-out butadiene rubber meets the quality standards provided in the butadiene rubber futures contract of the Exchange. During the load-out of butadiene rubber, the Factory shall provide the certificate of quality to the owner.

**Article 22** A Factory shall, on a daily basis, report the quantity of futures commodities shipped to each owner to the Exchange for future examination.

**Article 23** Factories and owners shall properly retain shipment and take-delivery records as the basis for resolving any possible disputes between them.

**Article 24** An owner shall take delivery at the Factory on the agreed take-delivery date according to the shipment plan. If the owner misses the agreed take-delivery date but takes delivery within fifteen (15) days (including the 15th 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 quality standards set out in the butadiene rubber futures contract, 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 the overdue fee to the Factory.

Overdue fee = 3 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 25** If an owner fails to take delivery at the Factory within fifth (15) days (including the 15th 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 fee to the Factory and negotiate details for taking delivery with the Factory.

Overdue fee = 35 yuan/metric ton × quantity of commodity that should have been taken

**Article 26** 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 completes the shipment within fifteen (15) days (including the 15th 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 27** If the Factory fails to complete the shipment according to the daily shipment plan within fifteen (15) days (including the 15th day) after the agreed take-delivery date, the owner may choose either of the followings:

(i) On the 15th 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 16th 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 nearest month futures contract of the Exchange on the trading day preceding the 16th day after the agreed take-delivery date.

(ii) If on the 15th 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 28** If a Factory commits any default described in Article 26 or 27, it shall first pay compensation or refund corresponding commodity payment together with additional compensation directly 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:

(i) with the guarantees provided by the Factory; or

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

**Article 29** If an owner commits any default described in Article 24 or 25, it shall first pay overdue fee directly 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 30** If any losses are incurred to either a Factory or an owner due to any event described in Articles 24, 25, 26, or 27, and both parties agree to reach a separate agreement, such agreement shall prevail. The agreement shall be filed with the Exchange for record.

**Article 31** If the shipment or take-delivery is made impossible due to force majeure, neither the Factory nor the owner shall pay overdue fee or compensation to the other party.

**Article 32** Upon agreement, a Factory and a holder of factory standard warrants 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, the corresponding factory standard warrants shall be canceled unless otherwise prescribed by the Exchange.

**Article 33** Validity period for the delivery of factory standard warrants

A factory standard warrant shall be valid until June 30 of the year following the warrant creation year. Upon expiration, the warrant shall not be used for futures delivery. An owner shall, before expiration of the validity period of a factory standard warrant, apply for taking the underlying commodity out of the Factory or converting the warrant into a bill of lading for physical products, and for canceling the warrant. When a factory standard warrant expires, the underlying commodity will be converted automatically into physical products and the warrant will be canceled automatically. The take-delivery method shall be separately negotiated by a Factory and an owner.

**Article 34** After a factory standard warrant is canceled, the Factory may apply to the Exchange to adjust the amount of the guarantees provided by the Factory.

**Article 35** Quality dispute resolution

A delivery taker who disputes the quality of any delivered commodity, which shall be at the take-delivery location of the Factory, shall submit to the Exchange a written objection, accompanied by the quality inspection results issued by a Designated Inspection Agency, within twenty (20) business days following the cancellation of corresponding warrants; failing which, the delivery taker shall be deemed to have no objection over the delivered commodity and the Exchange will no longer handle any objection regarding any commodity thus delivered.

**CHAPTER 5 MISCELLANEOUS**

**Article 36** The Exchange reserves the right to interpret these *Factory Delivery Rules*.

**Article 37** Matters not covered herein shall be governed by reference to the applicable rules of the Exchange on warehouse standard warrants and delivery.

**Article 38** These *Factory Delivery Rules* shall take effect on July 28, 2023.