DELIVERY STORAGE FACILITY RULES OF THE SHANGHAI FUTURES EXCHANGE

**(Revised Version)**

## CHAPTER 1 GENERAL PROVISIONS

**Article 1** These *Delivery Storage Facility Rules* are made in accordance with the *Civil Code of the People’s Republic of China*, the *Futures and Derivative Law of the People’s Republic of China*, and the *General* *Exchange Rules of the Shanghai Futures Exchange*, to strengthen the management of Delivery Storage Facilities of the Shanghai Futures Exchange (the “Exchange”), regulate delivery activities, and ensure the normal conduct of delivery.

**Article 2** “Delivery Storage Facility” refers to an enterprise legal person or unincorporated organization designated by the Exchange to provide relevant services for the physical delivery of commodities in the performance of futures contracts. Delivery Storage Facilities consist of Delivery Warehouses, Delivery Factories, and other delivery facilities.

**Article 3** The Exchange supervises Delivery Storage Facilities in accordance with these *Delivery Storage Facility Rules*. Each Delivery Storage Facility and its staff shall abide by these *Delivery Storage Facility Rules*.

## CHAPTER 2 APPLICATION AND DESIGNATION

**Article 4** An applicant for designation as a Delivery Storage Facilityshall meet the following criteria:

(i) holding a business license issued by an administrative bureau for industry and commerce;

(ii) possessing such amount of fixed assets and registered capital as prescribed by the Exchange;

(iii) being financially sound and resilient;

(iv) having a good business reputation and a complete set of rules on warehouse management; having no record of any material violation of the law or disqualification as a Delivery Storage Facility in the most recent three (3) years;

(v) agreeing to comply with the business rules of the Exchange;

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

(vii) having in place rigorous and robust rules on such matters as the load-in and load-out of commodities and inventory management;

(viii) having storage facilities such as storage yards, storerooms, or storage tanks of a sizeablecapacity and the conditions for storing the commodities listed on the Exchange; having a complete set of equipment that is in good conditions; having qualified fire, monitoring, measuring, and other related facilitiesas well as convenient transportation options; and

(ix) satisfying any other criteria prescribed by the Exchange.

An applicant for designation as a Delivery Storage Facility for fuel oil shall meet the requirements of local laws and regulations and be qualified to engage in the storage of the relevant commodities, in addition to meeting the criteria specified in the first paragraph of this Article. An applicant for the bonded delivery business shall additionally be qualified to operate bonded warehouses.

**Article 5** An applicant for designation as a Delivery Storage Facility shall provide:

(i) an application letter;

(ii) a photocopy of the business license issued by an administrative bureau for industry and commerce;

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

(iv) a photocopy of the applicant’s land use permit for the warehouse and of the dock permit, and other supporting documents;

(v) the document issued by the applicant’s superior authority or board of directors approving it to apply for the designation and a letter of guarantee issued by the relevant organization;

(vi) the warehouse rulebook and its brief overview; and

(vii) any other documents required by the Exchange.

An applicant applying for designation as a Delivery Storage Facility for fuel oil shall furnish the qualification certificates for engaging in commodity warehousing business and for its measuring personnel, in addition to furnishing the documents specified in the first paragraph of this Article.

A commercial bank applying for designation as a Delivery Storage Facility shall provide the materials specified in sub-paragraphs (i) to (iv), sub-paragraph (vi), and sub-paragraph (vii).

**Article 6** The process for designating aDelivery Storage Facility is as follows:

(i) the Exchange performs a preliminary review of the documents listed in the previous Article;

(ii) the Exchange sends staff members to the applicant for an on-site inspection and evaluation based on the findings of the preliminary review;

(iii) the Delivery Storage Facility shall, pursuant to these Delivery Storage Facility Rules, establish the corresponding operational protocols or rules, and only engage in physical delivery business for futures contracts after such protocols and rules are approved by the Exchange;

(iv) the Exchange will approve or disapprove the applicant as a Delivery Storage Facility based on the results of on-site inspection and evaluation and, in the case of approval, will enter into a Delivery Storage Facility Agreement with the applicant.

**Article 7** Upon being approved as a Delivery Storage Facility, the applicant shall:

(i) file with the Exchange all the seals it uses in issuing standard warrants;

(ii) file with the Exchange the letter of authorization for the futures delivery clerks and their specimen signatures;

(iii) enroll its futures managers in the delivery training courses of the Exchange;

(iv) open an account in the standard warrant management system; and

(v) complete other preparatory steps as required by the Exchange.

**Article 8** Any Delivery Storage Facility that decides to relinquish its designation shall submit an application to the Exchange and receive its approval.

**Article 9** Any Delivery Storage Facility that has relinquished or is revoked of its designation shall:

(i) load out all the deliverable commodities or convert them into physicals; and

(ii) settle any debt obligations with the Exchange.

**Article 10** The Exchange shall, upon the confirmation, relinquishment, and revocation of the designation of a Delivery Storage Facility, notify Members and the Delivery Storage Facility in a timely manner and report the status change to the China Securities Regulatory Commission.

## CHAPTER 3 RIGHTS AND OBLIGATIONS

**Article 11** A Delivery Storage Facility is entitled to:

(i) issue standard warrants in compliance with the rules of the Exchange;

(ii) charge such fees, at such rates, and in such manner as approved by the Exchange;

(iii) advise the Exchange with regard to its rules on physical delivery; and

(iv) exercise other rights provided in the Delivery Rules of the Shanghai Futures Exchange and the Delivery Storage Facility Agreement.

**Article 12** A Delivery Storage Facility is obligated to:

(i) comply with the Delivery Rules of the Shanghai Futures Exchange and other rules of the Exchange, accept the supervision of the Exchange, and promptly inform the Exchange of all relevant matters;

(ii) inspect and accept the commodities for load-in pursuant to the standards specified in the futures contract;

(iii) explicitly designate dedicated storage sites for futures delivery commodities in line with the approved storage capacity; store and stack such commodities in accordance with the relevant requirements of the Exchange and ensure their safety;

(iv) make commodities available for physical delivery in accordance with the requirements of standard warrants and actively assist the owners in transporting the same;

(v) keep futures trading-related trade secrets confidential;

(vi) participate in the annual audit organized by the Exchange;

(vii) promptly notify the Exchange in the event of any change in its legal representative, registered capital, shareholders or shareholding structure, storage facilities, and authorized personnel; and

(viii) perform any other obligations specified in the Delivery Rules of the Shanghai Futures Exchange and the Delivery Storage Facility Agreement.

In addition to fulfilling the obligations listed in the preceding paragraph, a fuel oil Delivery Storage Facility shall explicitly designate dedicated futures delivery tanks in line with the approved storage capacity, ensure that futures fuel products and spot fuel products are stored in separate tanks, and cooperate with the inspection agency designated by the Exchange in examining the quality, quantity, and weight of the deliverable fuel oil.

## CHAPTER 4 DAY-TO-DAY OPERATIONS

### Section 1 Requirements for Day-to-Day Management of Commodities

**Article 13** The day-to-day operations of a Delivery Storage Facility consist of three stages: load-in, storage, and load-out.

**Article 14** A Delivery Storage Facility shall cooperate with commodity owners in coordinating with docks, ports, pipeline transport services, customs, commodity inspection agencies, and other relevant organizations to ensure the commodities designated for futures delivery have priority in load-in and load-out.

**Article 15** Load-in is the first stageof placing commodities in storage. Load-in consists of the following steps in sequence:

(i) **Receiving**. The priority of this step is to receive the commodities from the transporter in a timely and error-free manner, with well-documented procedures and a clear division of responsibilities between the parties. In the event of damaged labeling, abnormal tarpaulin cover, inconsistency between the cargo and the accompanying documents, quantity shortage, or damaged articles or packaging, the Delivery Storage Facility shall assess the situation and determine the liabilities of each party, demand a formal report or regular report from the transporter, and forward the same to the owners. The Delivery Storage Facility shall additionally document the load-in inspection and acceptance process.

(ii) **Inspection and acceptance**. Inspection and acceptance refer to the examination of the outward appearance and the quantity of a shipment in accordance with certain procedures and routines to verify whether it is consistent with the shipping documents and the delivery requirements of the Exchange. Inspection by theDelivery Storage Facility shall cover the name, trademark, specifications, quantity, and packaging conditions of the cargo product, the completeness of the required load-in documents, as well as the exterior quality to the extent that it can be checked visually without opening the crate or removing the strappings (but an open-crate, open-strapping, or open-bag check shall be performed if the shipment has many issues, or any direct identification of the potential issues is not possible, or a sampling check is required under established rules and protocols).

(iii) **Load-in and issuance of standard warrants**. Only commodities that have passed inspection without issue (or any issue identified has subsequently been resolved) may proceed to load-in, i.e., entering them into the registry, creating identification labels, creating a file record, and issuing standard warrants in accordance with the request of the owner and the specific rules of the Exchange.

**Article 16** The commodities will be in storage upon acceptance and load-in. The Delivery Storage Facility shall take proper care of the commodities throughout the storage period. The Delivery Storage Facility shall choose an appropriate storage site and stacking method, as well as individualized safekeeping, maintenance, and care method, based on the attributes and characteristics of each particular commodity and the local environmental conditions, to ensure the safety of the commodities in storage.

**Article 17** Load-out is the outbound shipment of commodities by a Delivery Storage Facility by shipping, delivery, consignment, or otherwise upon the request of the owner. Load-out marks the end of storage.

**Article 18** Commodities may only be shipped out in a load-out once the load-out documents are verified. The Delivery Storage Facility shall record the shipment, remove the relevant material ledger records, organize and discard the relevant documents, clean the storage site, and reorganize the remaining inventories on the day the commodities are shipped and, if shipment is handled by a transporter, shall provide the transport plan to the transporter in advance.

**Article 19** Ownership transfer of commodities. Ownership transfers shall be clearly documented, with the corresponding material ledger entries added and removed.

**Article 20** In handling load-ins and load-outs, a Delivery Storage Facility shall promptly enter the corresponding information into the standard warrant management system and ensure the accurate transmission of such information.

### Section 2 Requirements for Fuel Oil Delivery Storage Facilities

**Article 21** A fuel oil Delivery Storage Facility shall conduct oil measurement in accordance with the *Metrology Law of the People’s Republic of China*, the *Implementing Rules for the Metrology Law of the People’s Republic of China*, the *Measures for the Administration of Verification of Measuring Instruments Subject to Compulsory Verification of the People’s Republic of China*, and other applicable rules and regulations. All the measuring instruments subject to compulsory verification used in futures delivery, including but not limited to flow meters, thermometers, density meters, oil (water) dip rulers, truck scales, storage tanks, and safety-related measuring instruments and meters, shall have valid and qualified certificates of verification.

**Article 22** The measurement personnel of a fuel oil Delivery Storage Facility shall hold qualification certificates issued by local metrology authorities and abide by metrology laws and regulations.

**Article 23** Load-in is the first stage of placing fuel products in storage. Load-in consists of the following steps in sequence:

(i) Receiving. The priority of this step is to help the owner in receiving the fuel product in a timely and error-free manner, with well-documented procedures and a clear division of responsibilities between the parties.

(ii) Inspection and acceptance. The fuel oil Delivery Storage Facility shall, pursuant to the rules of the Exchange, verify the documents accompanying the fuel product and check its quality, quantity, and weight. Only fuel products passing the inspection process may proceed to load-in, i.e., accepting it into the inventory, entering it into the registry, creating identification labels, and creating a file record.

(iii) Load-in and issuance of standard warrants. The fuel oil Delivery Storage Facility shall issue standard warrants in accordance with the request of the owner and the specific rules of the Exchange.

**Article 24** Measurement and handover of fuel products:

(i) The quantity of fuel products at handover shall be as measured by the storage tanks or, in the case of a load-out below the quantity threshold prescribed by the Exchange, as measured by a flow meter or other measuring instruments at the discretion of the inspection agency;

(ii) The quantity of fuel products shipping out of a Delivery Storage Facility by land transport shall be as measured by the facility’s truck scale or measuring meter, provided any electronic truck scale shall be used in a compliant manner;

(iii) During the handling process, the staff members of the Delivery Storage Facility shall work with the designated inspection agency, the owner, and the representative of the trucking company to check the quantity, weight, quality, and loading rate of the fuel product and take and seal samples as required. Upon completion of measurement and handover, the staff members shall ensure subsequent measurements and inventory checks are duly conducted.

**Article 25** The weight differential tolerance for fuel products during the receiving and shipping by a fuel oil Delivery Storage Facility is plus or minus three percent (±3%).

**Article 26** Any weight differential incurred during the handover of fuel products shall be settled by the fuel oil Delivery Storage Facility within three (3) business days after the issuance of the inspection report by the designated inspection agency, at the settlement price of the nearest fuel oil contract as of the trading day prior to the day on which the load-in or load-out handover is completed.

**Article 27** The quality, quantity, and weight inspection of fuel products at load-in and load-out shall be completed by a designated inspection agency chosen by the owner. If the fuel oil Delivery Storage Facility does not agree with the owner’s choice, it may negotiate with the owner for a replacement. If the negotiation fails, the Delivery Storage Facility may request the Exchange to determine the designated inspection agency. The Delivery Storage Facility shall cooperate with the designated inspection agency during sampling and measurement.

**Article 28** A fuel oil Delivery Storage Facility is responsible for the failure of fuel products to meet the quality requirements as a result of mixing different batches of products that have previously passed quality inspections.

The quality inspection, fee payment, and attribution of liabilities of fuel products for load-in are governed by the rules for the corresponding futures product.

**Article 29** A fuel oil Delivery Storage Facility is responsible for the loss of fuel products during load-in, load-out, and storage due to such reasons as pipe transport, pump loss, and evaporation.

Owners shall compensate fuel oil Delivery Storage Facilities for their loss at the rate specified in the rules for the corresponding futures product.

**Article 30** Unless otherwise agreed, an owner shall pay the fuel oil Delivery Storage Facility any shortfall in application deposit based on the difference between the reported load-in quantity and the actual load-in quantity.

**Article 31** A fuel oil Delivery Storage Facility shall purchase the relevant commercial insurance policy for the fuel products used for futures delivery according to the approved storage capacity.

**Article 32** A fuel oil Delivery Storage Facility shall establish contingency plans and immediately notify the Exchange of any incident that may endanger the fuel products for futures delivery, hinder load-in or load-out, or have other adverse impact on the public.

If any oil spill, leak, discharge, or otherwise polluting incident occurs during load-in, load-out, or storage, the fuel oil Delivery Storage Facility shall conduct the necessary pollution control and clean-up operations in accordance with laws and regulations and as required by government authorities, immediately notify the relevant environmental protection authorities and the Exchange of the incident and the actions it has taken, and be solely liable for any judgment, claim, or costs arising from the pollution.

**Article 33** A fuel oil Delivery Storage Facility shall heat the fuel products before load-out such that the load-out temperature is no lower than thirty-five degrees Celsius (35 °C).

**Article 34** A fuel oil Delivery Storage Facility shall ensure that its pipelines are in the same condition before and after each load-in or load-out and that the handover quantity is accurately measured.

**Article 35** An inspection of the quality, quantity, and weight of the fuel products shall be performed at load-out, either by a designated inspection agency or by the fuel oil Delivery Storage Facility as determined by the owner. After the products are shipped out, the Delivery Storage Facility shall complete the Load-Out Confirmation Form for Standard Warrant in a timely manner for confirmation by the delivery-taker with signature, and shall properly store it for future examination.

## Section 3 Requirements for Gold Delivery Storage Facilities

**Article 36** The day-to-day operations of a gold Delivery Storage Facility consist of four activities: load-in, storage, load-out, and inter-facility transport.

**Article 37** Load-in is the first stage of placing gold in storage. Load-in consists of the following steps in sequence:

(i) Receiving. Unless otherwise prescribed by the Exchange, the load-in procedures for gold sourced from outside a Delivery Storage Facility shall be conducted by the designated storage personnel on file from the relevant enterprise with gold brand registered with the Exchange or from the relevant importing bank, and with well-documented procedures and a clear division of responsibilities between the parties. In the case of any issue such as inconsistency between the commodities and the accompanying documents or quantity shortfall, the Delivery Storage Facility shall document the issue, determine the responsibilities of each party, and handle the matter in accordance with applicable rules.

(ii) Inspection and acceptance. The gold Delivery Storage Facility shall, pursuant to the requirements of the Exchange, verify the documents accompanying the gold loaded in and check whether the information in them is correct; re-check the manufacturer’s logo, ingot number, and fineness marking on and the specifications of the gold ingots against the information in the corresponding documents; and mark each gold ingot as re-checked. The Delivery Storage Facility shall also conduct measurements of each gold ingot and make records pursuant to the rules of the Exchange. Any incompliant ingot shall be rejected for load-in. The Delivery Storage Facility shall properly keep the various load-in documents.

(iii) Load-in and issuance of standard warrants. Only gold that has passed inspection without issue (or any issue identified has subsequently been resolved) may proceed to load-in, i.e., entering it into the registry, creating identification labels, creating a file record, and issuing standard warrants in accordance with the procedures specified by the Exchange.

**Article 38** At load-out, a gold Delivery Storage Facility may open the crates for ingot checks at the request of the withdrawing owner. The opening of crates and the check shall be jointly performed by the Delivery Storage Facility and the owner under video surveillance. If the owner needs to conduct an ingot-by-ingot weight check, the Delivery Storage Facility shall keep an accurate re-weighing record.

**Article 39** “Inter-facility transport” of gold refers to the transport of gold (for the purpose of physical delivery) from one Delivery Storage Facility to another in accordance with the instructions of the Exchange. A gold Delivery Storage Facility shall conduct inter-facility transport operations in accordance with the rules for such operations separately established by the Exchange.

## CHAPTER 5 SUPERVISION AND ADMINISTRATION

**Article 40** A Delivery Storage Facility shall establish a separate ledger for the commodities for futures delivery.

**Article 41** A Delivery Storage Facility shall designate a manager to oversee futures delivery activities and dedicated personnel to manage the commodities for delivery and to handle standard warrant-related procedures.

**Article 42** The Exchange institutes internal audits, random audits, and annual audits on Delivery Storage Facilities to ensure and raise the quality of their services to Members and Clients and improve their warehouse management practices.

(i) Internal audit by Delivery Storage Facilities.

Each Delivery Storage Facility shall, pursuant to these Delivery Storage Facility *Rules*, the *Delivery Rules of the Shanghai Futures Exchange*, the *Standard Warrant Rules of the Shanghai Futures Exchange*, and the realities of its facilities, conduct one audit each month on one or more of its operational areas and keep proper records.

(ii) Random audit by the Exchange.

The Exchange may, based on the information it possesses or in response to a Member or Client complaint, perform random audit on one or more operational areas of a Delivery Storage Facility at any time the Exchange sees fit, with detailed record kept on the audit, to check whether the Delivery Storage Facility has complied with the rules of the Exchange in its day-to-day operations.

(iii) Annual audit by the Exchange.

Each year the Exchange conducts an annual audit on the operations of each Delivery Storage Facility, evaluates it in accordance with the *Delivery Storage Facility* *Evaluation Rules of the Shanghai Futures Exchange*, and informs it of the Exchange’s requirements for the following year.

For any Delivery Storage Facility that fails to meet the standards set by the Exchange, the Exchange may reduce its certified storage capacity, suspend its delivery business, or ultimately disqualify it as a Delivery Storage Facility.

An audit by the Exchange covers the state of warehousing facilities, the storage capacity and outward appearance, service capacity, service performance, account management, Member satisfaction rate, and other items deemed necessary by the Exchange.

**Article 43** A Delivery Storage Facility shall pay restitution for any losses arising from its fault which prevents a holder of standard warrants from exercising any or all of the rights granted by the standard warrants.

## CHAPTER 6 MISCELLANEOUS

**Article 44** To the extent of any inconsistency between these *Delivery Storage Facility Rules* and the rules for the particular futures products, the product rules shall prevail.

**Article 45** Any violations of these *Delivery Storage Facility Rules* will be handled by the Exchange in accordance with the *Enforcement Rules of the Shanghai Futures Exchange*.

**Article 46** The Exchange reserves the right to interpret these *Delivery Storage Facility**Rules*.

**Article 47** These *Delivery Storage Facility**Rules* take effect on October 23, 2024.