**FACTORY DELIVERY RULESOF THE SHANGHAI FUTURES EXCHANGE**

**(Revised Version)**

**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 the applicable business rulesto ensure the smooth futures delivery at the Shanghai Futures Exchange (the “Exchange”) and regulate the delivery activities of Delivery 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 unincorporated organization that engages in the production or trading of products specified by the Exchange 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 futures contracts of products specified by the Exchange.

Factories are classified into producing factories and trading factories.

**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 *Delivery Storage Facility Rules of the Shanghai Futures Exchange*.

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

**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 as set forth in the Standard Warrant Management System.

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

**Article 7** Guarantees provided by Factories

Before submitting an application for issuing any factory standard warrants, a Factory shall, pursuant to the relevant rules, provide to the Exchange a performance bank guarantee or other forms of guarantee recognized by the Exchange, which corresponds with the quantity of the standard warrants to be issued.

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

**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 within three (3) trading days.

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

The confirmation of and adjustment to the approved storage capacity of 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 creation of factory standard warrants for an EFP

Procedures for an Exchange of Futures for Physicals (“EFP”) where a Factory as the seller issues factory standard warrants directly to the buyer:

(i) After a Factory and a seller 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 buyer and the seller. 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 factory standard warrant into physicals in inventory (the agreement on such physicals will be negotiated and signed directly by the Factory and the bearer), and the Factory, after granting its approval, withdraws the warrant from circulation.

**Article 15** Provisions on 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** An owner’s application for taking delivery shall be governed by the rules for the particular futures products.

**Article 17** Settlement for tolerance

The weight of load-out commodity shall be governed by the rules for the particular futures products. Any load-out tolerance shall either be settled between the Factory and the owner directly at their agreed price or, if they fail to reach an agreement, at the settlement price of the corresponding nearest month futures contract of the Exchange on the trading day preceding the cancellation day of corresponding factory standard warrants, or be settled pursuant to the rules for the particular futures products.

**Article 18** 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 19** When taking delivery, an owner shall settle related fees and costs with the Factory.

**Article 20** The Factory shall ensure that the loaded-out commodities meet the quantity, quality, production or arrival date, and other requirements provided in the futures contract and rules for the particular futures products of the Exchange.

**Article 21** A Factory shall, on a daily basis, report the quantity of futures commodities shipped to each owner to the Exchange for future examination.

**Article 22** Factories and owners shall properly retain shipment and take-delivery records as the basis for resolving any possible disputes between them.

**Article 23** Taking delivery by an owner, shipment by a Factory, and handling of any defaults shall be governed by the rules for the particular futures products.

**Article 24** 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 25** Upon agreement, a Factory and an owner may choose to consult with each other to determine a shipment date and plan at the submission of a take-delivery application. In this case, corresponding factory standard warrants will be canceled, and the underlying commodity will be deemed to have been converted into physicals and no longer subject to applicable provisions herein. However, both parties shall retain their relevant agreements.

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

**Article 26** Validity period for the delivery of factory standard warrants

The validity period for the delivery of a factory standard warrant shall be governed by the rules for the particular futures products. Upon expiration of this period, the warrant shall not be used for futures delivery. Before that, an owner shall apply for taking the underlying commodity out of the Factory or converting the warrant into physicals in inventory, and for canceling the warrant. When a factory standard warrant expires, the underlying commodity will be converted automatically into physicals and the warrant will be canceled automatically. In this case, the take-delivery method shall be separately negotiated by the Factory and the owner, and no longer be governed by applicable provisions herein.

**Article 27** After a factory standard warrant is canceled, the Factory may apply to the Exchange for adjusting the amount of the guarantees provided by the Factory.

**Article 28** Quality dispute resolution

A delivery taker who disputes the quality of any delivered commodity shall submit to the Exchange a written objection, accompanied by the quality inspection results issued by a Designated Inspection Agency, within the period specified in the rules for the particular futures products; 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 29** To the extent of any inconsistency between these *Factory Delivery Rules* and the rules for the particular futures products, the product rules shall prevail.

**Article 30** Matters not covered herein shall be governed by reference to the applicable rules of the Exchange on warehouse standard warrants and delivery.

**Article 31** Any violations of these *Factory Delivery Rules* will be handled by the Exchange in accordance with the *Enforcement Rules of the Shanghai Futures Exchange*.

**Article 32** The Exchange reserves the right to interpret these *Factory Delivery Rules*.

**Article 33** These *Factory Delivery Rules* take effect on October 23, 2024.