**ALUMINUM OXIDE FUTURES RULES OF THE SHANGHAI FUTURES EXCHANGE**

**CHAPTER 1 GENERAL PROVISIONS**

**Article 1** These *Aluminum Oxide Futures Rules* are made in accordance with the *General Exchange Rules of the Shanghai Futures Exchange*, the *SHFE Aluminum Oxide Futures Contract Specifications*, and the relevant business rulesto regulate business related to aluminum oxide futures at the Shanghai Futures Exchange (the “Exchange”).

**Article 2** These *Aluminum Oxide Futures Rules* shall be observed by the Exchange, Members, Clients, Delivery Storage Facilities, Designated Inspection Agencies, Futures Margin Depository Institutions, and other participants of the futures market.

**CHAPTER 2 TRADING**

**Article 3** Contract size for aluminum oxide futures is twenty (20) metric tons per lot.

**Article 4** Price quotation of an aluminum oxide futures contract is Yuan (RMB)/metric ton.

**Article 5** Minimum price fluctuation of an aluminum oxide futures contract is one (1) Yuan/metric ton.

**Article 6** Listed contracts of aluminum oxide futures cover the most recent twelve (12) months.

**Article 7** Trading hours of an aluminum oxide futures contract are 9:00 a.m. to 11:30 a.m., 1:30 p.m. to 3:00 p.m., and other hours specified by the Exchange.

**Article 8** The last trading day of an aluminum oxide futures contract is the 15th day of the contract month. The last trading day will be postponed accordingly if it is a legal holiday in China, and will be subject to separate adjustment and announcement by the Exchange if it falls in the Spring Festival month or any other month specially designated by the Exchange.

**Article 9** Contract symbol of aluminum oxide futures is AO.

**Article 10** For the hedging and arbitrage quotas of an aluminum oxide futures contract, regular months extend from the day of listing to the last trading day of the second month before the delivery month, while nearby delivery months cover the month before the delivery month and the delivery month.

**Article 11** An application for a regular month hedging quota of an aluminum oxide futures contract shall be submitted by the last trading day of the second month before the delivery month of the contract. Late applications will not be accepted by the Exchange.

An application for a nearby delivery month hedging quota of an aluminum oxide futures contract shall be submitted between the first trading day of the third month before the delivery month of the contract and the last trading day of the month before the delivery month. Late applications will not be accepted by the Exchange. An application for a nearby delivery month arbitrage quota of an aluminum oxide futures contract shall be submitted between the first trading day of the second month before the delivery month of the contract and the last trading day of the month before the delivery month. Late applications will not be accepted by the Exchange.

**Article 12** Hedging quota of an aluminum oxide futures contract shall no longer be used in a revolving manner starting from the first trading day of the delivery month.

**CHAPTER 3 DELIVERY**

**SECTION 1 GENERAL PROVISIONS**

**Article 13** An aluminum oxide futures contract may be physically delivered through an Exchange of Futures for Physicals (“EFP”), a delivery warehouse, or a delivery factory.

Aluminum oxide futures adopt duty-paid delivery.

**Article 14** Grade and quality specifications are provided in the *SHFE Aluminum Oxide Futures Contract Specifications*.

**Article 15** Deliverable commodity

The deliverable aluminum oxide shall be of a registered brand approved by the Exchange or be produced by a manufacturer recognized by the Exchange (to be separately prescribed and announced by the Exchange).

The deliverable aluminum oxide shall conform to the specifications of Grade (designation) AO-1 or AO-2 under National Standard GB/T 24487-2022 with regard to main chemical components and physical properties.

**Article 16** Specifications

Domestic aluminum oxide underlying each standard warrant shall consist of commodity of the same manufacturer, registered trademark, grade (designation), and packaging specifications, and have their dates of production spanning no more than fifteen (15) consecutive days. The earliest of such dates shall be taken as the date of production on the standard warrant.

Imported aluminum oxide underlying each standard warrant shall consist of commodity of the same manufacturer, grade (designation), production date, and packaging specifications.

The production date of domestic aluminum oxide refers to the packaging date, and that of imported aluminum oxide refers to the import date indicated on the customs declaration form.

**Article 17** Packaging

The packaging of deliverable aluminum oxide shall conform to the specifications of *the Rules of Shanghai Futures Exchange on the Registration and Recognition of Deliverable Aluminum Oxide*.

Each pack of deliverable aluminum oxide shall have a net weight of one and five-tenths (1.5) metric tons plus or minus fifteen hundredths (±0.15) metric tons.

**Article 18** Required documentation for deliverable commodity

(i) Domestic commodity: the certificate of quality issued by the registered manufacturer shall be provided.

(ii) Imported commodity: the certificate of inspection issued by a Designated Inspection Agency, certificate of origin, the customs declaration form, and certificate of VAT withholding by the customs. These documents are deemed valid only after being verified by the Exchange.

If there has been any change to national policies on taxation, commodity inspection, or other relevant matters, the revised policies shall prevail. Under such circumstance, the Exchange will separately announce the revised requirements for the documentation of relevant imported products.

**Article 19** Measuring and tolerance

The deliverable aluminum oxide shall be measured by net weight. Difference between standard warrant weight and actual delivery weight shall not exceed plus or minus one percent (±1%). Pound difference shall not exceed plus or minus three-tenths of one percent (±0.3%).

**Article 20** Delivery unit of an aluminum oxide futures contract is three hundred (300) metric tons.

**Article 21** Delivery period of an aluminum oxide futures contract is the two (2) consecutive business days immediately following the last trading day of the contract.

**Article 22** The benchmark price for delivery settlement of an aluminum oxide futures contract is the arithmetic average of the settlement prices of that contract over the last five (5) trading days on which it was traded.

**Article 23** Delivery venue: the delivery warehouses and delivery factories of the Exchange, to be separately announced by the Exchange.

**Article 24** Resolution of dispute arising from packaging

(i) Dispute over packaging of deliverable aluminum oxide shall not constitute a delivery default;

(ii) If the owner has any dispute about the packaging of deliverable aluminum oxide, the manufacturer, delivery warehouse, or seller shall cooperate with the owner in resolving such dispute.

**Article 25** If standard warrants are used for an EFP and the EFP is settled via the Exchange, and a dispute over the quality of the deliverable commodities arises, the buyer shall submit a request for dispute resolution within twenty-five (25) days after the payment and the exchange of standard warrants, together with the quality assay report issued by a Designated Inspection Agency.

**SECTION 2 WAREHOUSE DELIVERY**

**Article 26** The warehouse standard warrant of aluminum oxide shall be valid for one hundred and eighty (180) days from the earliest production date of the underlying commodities, and be created only if all underlying commodities are delivered to the warehouse within sixty (60) days following their date of production.

**Article 27** The aluminum oxide arriving at a delivery warehouse shall have complete and clean packaging. The delivery warehouse shall check the whole shipment at acceptance. Any commodity that is not fit for purpose due to nuisance such as obvious rain stains, moisture and agglomeration, or contamination shall be rejected and not enter the delivery process.

If aluminum oxide arrives at the delivery warehouse with obvious broken packaging, the aluminum oxide shall be repackaged before delivery with any costs incurred borne by the owner.

**Article 28** Deliverable aluminum oxide underlying each warehouse standard warrant shall be stacked together.

**Article 29** After the physical delivery is completed, if the buyer has any dispute over the quality or quantity of the commodity (any aluminum oxide in dispute shall remain in the delivery warehouse), the buyer shall submit a written request to the Exchange for dispute resolution before the fifteenth (15) day (including that day) of the month following the delivery month (in case that day falls on a public holiday, the date shall be extended to the first business day after the holiday), together with the quality assay report issued by a Designated Inspection Agency. The validity period for each batch of the delivered aluminum oxide shall cover the last delivery day of that delivery. Even if the validity period expires before the final date for the submission of a request for dispute resolution, the seller shall be responsible for the delivered commodities in the event that they fail the quality assay.

**SECTION 3 FACTORY DELIVERY**

**Article 30** Application

Before issuing any factory standard warrants, a Factory shall submit an issuance notice to the Exchange, specifying such information as the product, trademark (in the case of a registered production-type factory warehouse), name of the carrying Member, name of the owner, and the quantity of standard warrants to be issued.

**Article 31** Validity period for the delivery of factory standard warrants

The validity period for the delivery of aluminum oxide factory standard warrant shall be one hundred and eighty (180) days from the date of creation of such warrant.

**Article 32** The load-out commodity under a factory standard warrant shall be registered commodity produced by a registered enterprise approved by the Exchange and accompanied by corresponding certificate of quality.

The production date (packaging date) of the load-out commodity under a factory standard warrant shall be within one hundred and eighty (180) days before the take-delivery date confirmed by the factory standard warrant owner and the Factory.

**Article 33** 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 fifth (5) business day prior to the proposed take-delivery date. The application shall specify such information as the number of the factory standard warrant, the quantity of the commodity, the proposed take-delivery date, method, and plan (including daily quantity), as well as the identification certificate and telephone number 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 corresponding manufacturer’s production plan.

The Factory may make an overall arrangement for shipment considering the order of submission of applications by owners, their take-delivery plans, and production plans, and within three (3) business days after the owner’s submission of application, provide the owner with a take-delivery time period to choose from and a corresponding shipment plan (including daily shipment quantity), if:

1. 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; or

2. the owner takes delivery by railway, and the Factory is unable to confirm the owner’s application due to rail transport scheduling.

The earliest take-delivery time that the Factory provides shall be within a reasonable period from the owner’s proposed take-delivery date. If agreeing to the arrangement, the owner may choose one (1) day from the said period as the take-delivery date and confirm the shipment plan; otherwise, the owner shall negotiate with the Factory again to reach an agreement on the take-delivery date and the shipment plan.

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

**Article 34** The weight of load-out commodity shall be inspected according to the net content by the Factory.

**Article 35** 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 still make an overall shipment plan based on the take-delivery quantities of all owners until all corresponding commodities are shipped. The owner shall pay an overdue fine to the Factory.

Overdue fine = 2 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 by both parties through a separate agreement.

**Article 36** If an owner fails to take delivery at the Factory within fifteen (15) days (including the 15th day) after the agreed take-delivery date, which leads to the cancellation of its factory standard warrants, then the owner shall pay an overdue fine to the Factory, and the underlying commodities shall be converted into physical products, of which details for taking delivery shall be agreed upon by the parties through negotiation.

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

**Article 37** 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 38** If the Factory fails to complete the shipment 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 39** If a Factory commits any default described in Article 37 or 38, it shall 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 any 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 40** If an owner commits any default described in Article 35 or 36, it shall pay overdue fine 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 41** Any losses incurred to either a Factory or an owner due to any event described in Article 35, 36, 37 or 38 shall be handled by both parties as agreed if they have reached a separate agreement. The agreement shall be filed in writing with the Exchange for record.

**Article 42** Quality dispute resolution

An owner 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 twenty (20) business days following the cancellation date of standard warrants, provided that the disputed commodity shall remain at the take-delivery locations of the Factory; failing which, the owner 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 4 RISK MANAGEMENT**

**Article 43** The minimum trading margin for an aluminum oxide futures contract is 5%.

**Article 44** The stage-based trading margin rates for aluminum oxide futures are as follows:

|  |  |
| --- | --- |
| **Stage of Trading** | **Trading Margin** |
| As of listing | 5% |
| As of the first trading day of the month prior to the delivery month | 10% |
| As of the first trading day of the delivery month | 15% |
| As of the second trading day prior to the last trading day | 20% |

**Article 45** The range of price limit for an aluminum oxide futures contract is within ±4% of its settlement price of the preceding trading day.

**Article 46** Percentage-based Position Limit and fixed-amount Position Limit for each aluminum oxide futures contract at different stages of trading for an FF Member, a non-FF Member and a Client are as follows (in lots):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | From the date of listing to the delivery month | From the date of listing to the last trading day of the second month prior to the delivery month | First month prior to the delivery month | Delivery month |
| Total openinterest | Percentage-based Position Limit (%) | Total openinterest | Percentage-based Position Limit (%) and fixed-amount Position Limit (in lots) | Fixed-amount Position Limit (in lots) | Fixed-amount Position Limit (in lots) |
| FF Member | Non-FF Member | Client | Non-FF Member | Client | Non-FF Member | Client |
| aluminum oxide | ≥50,000 | 25 | ≥50,000 | 10 | 10 | 1,800 | 1,800 | 600 | 600 |
| ＜50,000 | 5,000 | 5,000 |

Note: total open interest and the fixed-amount Position Limit are based on long or short positions; Percentage-based Position Limit for the FF Member is the baseline limit.

**Article 47** For contracts in aluminum oxide futures, by the close of the last trading day of the month prior to the delivery month, each Member or each Client shall adjust their speculative positions held through the Member, to multiples of fifteen (15) lots and a one-day delay is allowed under special market conditions; in the delivery month, the speculative positions as well as newly opened and closed-out positions shall be held in multiples of fifteen (15) lots.

**Article 48** If the Exchange makes a forced position reduction to an aluminum oxide futures contract, the amount of the unfilled orders subject to the order fill, positions eligible to fill the unfilled orders, and the principles and methods for the order fill of unfilled orders shall be determined as follows:

(i) Amount of the unfilled orders subject to the order fill. The term “amount of unfilled orders subject to the order fill” means the total amount of all the unfilled orders submitted after the close of the base date at the limit price into the central order book by each Client who has incurred losses on net positions in the contract of an average level of no less than six percent (6%) for aluminum oxide futures contracts, of the settlement price of the base date.

(ii) Positions eligible to fill the unfilled orders. The positions eligible to fill the unfilled orders include the net positions, on which the Client, as calculated using the above formula stipulated in the Risk Management Rules of the Shanghai Futures Exchange, records average gains for speculative purposes or for hedging purposes at no less than six percent (6%).

(iii) Principles for the order fill of unfilled orders. The order fill of unfilled orders shall take place in the order of the following four levels with regard to the amount of gains and whether such positions are speculative or hedging:

Level 1: Unfilled orders shall be filled with the speculative positions eligible to fill the unfilled orders of any Client with average gains on net positions of no less than six percent (6%) of the settlement price on the base date for the contracts in aluminum oxide futures, or the Speculative Position Gains of Over 6%;

Level 2: Unfilled orders shall be filled with the speculative positions eligible to fill the unfilled orders of any Client with average gains on net positions of no less than three percent (3%) but no more than six percent (6%) of the settlement price on the base date for contracts with respect to aluminum oxide futures, or the Speculative Position Gains of Over 3%;

Level 3: Unfilled orders shall be filled with the speculative positions eligible to fill the unfilled orders of a Client with average gains on net positions of no more than three percent (3%) of the settlement price on the base date for contracts in aluminum oxide futures, or the Speculative Position Gains Below 3%; and

Level 4: Unfilled orders shall be filled with the hedging positions eligible to fill the unfilled orders of a Client with average gains on net positions of no less than six percent (6%) of the settlement price on the base date for contracts in aluminum oxide futures, or the Hedging Position Gains of Over 6%.

(iv) Methods for the order fill of unfilled orders. If the amount of the Speculative Position Gains of Over 6% is greater than or equal to that of the unfilled orders, the unfilled orders shall be filled pro rata to the amount of the Speculative Position Gains of Over 6%. If the amount of the Speculative Position Gains of Over 6% is smaller than that of the unfilled orders, the Speculative Position Gains of Over 6% shall be filled pro rata to the amount of the unfilled orders. The residual unfilled orders, if any, shall be filled with the Speculative Positions Gains of Over 3% in the same manner as the foregoing, and if there are still orders remaining, the outstanding unfilled orders shall be filled to the Speculative Position Gains of Below 3%, and so to the Hedging Position Gains of Over 6%. Unfilled orders which eventually remain after all the order fills described above, if any, shall not be filled at all.

**CHAPTER 5 MISCELLANEOUS**

**Article 49** Matters not covered herein shall be governed by the applicable business rules of the Exchange.

**Article 50** Any violations of these *Aluminum Oxide Futures Rules* will be handled by the Exchange in accordance with the *Enforcement Rules of the Shanghai Futures Exchange*.

**Article 51** The Exchange reserves the right to interpret these *Aluminum Oxide Futures Rules*.

**Article 52** These *Aluminum Oxide Futures Rules* take effect on October 23, 2024.