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Containerized Freight Index
(Europe service) Futures

Q&A

2025

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An aerial view of a large port area, showing several container ships docked at piers. Numerous colorful shipping containers are stacked on the ships and on the ground. Large gantry cranes are visible, used for loading and unloading the containers. The background shows a city skyline with many buildings.

International Shipping Market

01 What is international maritime transport?

International maritime transport, also known as international shipping, is the dominant mode of transport for world trade. Maritime transport is superior to the other modes of transport in carrying capacity and freight rate. According to *the Announcement of China Maritime Day 2024*, as the world's largest trader and second-largest economy, China transports approximately 95% of its import and export goods through international shipping.

02 How is the international maritime transport segmented?

By the type of cargo transported, the international maritime transport can be sub-divided into dry bulk transport, tanker transport, container transport, and special ship transport markets. Dry bulk carriers are used to transport iron ore, grain, coal, cement, and the like. Tankers mainly carry crude oil, refined oil, natural gas, liquid chemicals, and other liquid bulk cargoes. Container ships carry virtually all types of cargo—or “general cargo”—except those mentioned above, but principally industrial, mechanical, and electronic products. Special-purpose ships, including reefer ships, cars, and large equipment carriers, are used to transport goods of irregular shapes or excessive weight or needing special equipment. The dry bulk, tanker, and container shipping markets are the three pillars of the international shipping market.

By the type of transport arrangements, the international shipping market can be classified into tramp shipping market and liner shipping market. Dry bulk transport and tanker transport are generally tramp services; container transport is generally liner services.

03 What are the common types of ships in the international maritime transport market?

The ships used for international shipping differ from cargo type to cargo type and from route to route. The most common ships in the dry bulk shipping market are the Capesize carriers, Panamax carriers, and Handymax and Handy bulk carriers. For the tanker shipping market, it's ultra large crude carriers (ULCCs), very large crude carriers (VLCCs), Suezmax tankers, Aframax tankers, Panamax tankers, and Handy tankers. In the container shipping market, ships are classified by container capacity. A breakdown of the carrying capacity of the world's container ships as of the end of 2024 is shown in the table below:

Carrying Capacity of the World's Container Ships

Size Range (TEU)	Proportion
17,000 and above	14.87%
12,000 – 16,999	22.84%
8,000 – 11,999	20.38%
3,000 – 7,999	24.58%
2,999 or smaller	17.33%

Source: Clarksons Research

04 How big is the international maritime transport market?

With the booming global trade, especially in OEM and finished products, the international maritime transport market shows an upward trend. According to Clarksons Research, the total volume of global seaborne trade in 2024 recorded at 12.635 billion metric tons, of which 6,707 million metric tons or 53.1% were dry bulk cargoes (including iron ores, coal, grain, and others), 3,981 million metric tons or 31.5% tanker cargoes (e.g., crude oil, refined oil products, natural gas, and chemicals), and 1,946 million metric tons or 15.4% container cargoes.

05 What are the major shipping terms used in the international maritime transport market?

FOB, CFR, and CIF are the most common shipping terms used in this market. Under FOB, the buyer is responsible for chartering the ship, booking space, paying freight at destination, and arranging for and purchasing insurance. With CIF, the seller is responsible for chartering the ship, booking space, prepaying freight, and arranging for and purchasing insurance. With CFR, the seller is responsible for chartering the ship, booking space, and prepaying freight, while the buyer is responsible for the insurance. The shipping term is a reflection of a location's relative strength in trade and transport, and will affect in which country or region the services—such as ship chartering and space booking, freight payment, insurance arrangement and payment—are provided. For example, in an export market, CIF terms streamline the buyer's operations by shifting both freight and insurance obligations to the seller, and thus gives the seller a stronger competitive edge.

06 What are the major advantages and features of the world's leading international shipping centers?

Singapore, London, and Shanghai were the top three shipping hubs according to the 2024 Xinhua-Baltic Exchange International Shipping Centre Development Index.

As a world leading free trade port, Singapore implements a free port policy, operating on liberal economic policies in areas of trade, passage, business establishment, finance, and employment and allowing most, if not all, foreign goods to enter and exit the port duty-free. Singapore is also a leader in shipping services, especially in shipping brokerage, ship management, shipping finance, and maritime legal services.

London has a highly developed shipping industry comprising thousands of large service providers that provides all types of modern shipping services—ship registration, ship sale and purchase, shipping transactions, maritime insurance, maritime legislation, maritime litigation and arbitration, shipping information consultancy, professional training, and industry exchanges, to name a few. London particularly excels in maritime legal services and shipping financial services, being a global leader in both areas.

As China's highest-ranked international shipping hub, Shanghai continues to consolidate its leading position in the industry. Shanghai has a large shipping market and a wealth of resources. Its shipping center and financial center initiatives are individually empowering and mutually supportive. The city has seen rapid development in its modern shipping distribution system and steady improvement in shipping services and business environment, thereby strengthening its global influence. In recent years, the Shanghai Port has showed remarkable resilience and adaptability amid global economic uncertainties and volatile trade conditions. Notably, the cruise industry upgrading and the launch of the SCFIS (Europe Service) futures are all an epitome of Shanghai's sustained and robust growth as an international shipping hub.

An aerial photograph of a large container port, showing numerous cargo ships docked at piers and several large gantry cranes. The port is filled with stacks of colorful shipping containers. The image is overlaid with a semi-transparent blue filter.

International Container Maritime Transport Market

07 What is international container maritime transport?

International container maritime transport is a mode of transport whereby the carrier delivers, through containers, the cargoes consigned by the shipper from one country to another. In international container maritime transport, liner companies provide non-specific customers with standardized container cargo transport services between fixed ports of call along fixed routes and in accordance with the pre-established sailing schedules and rules.

08 What is the supply and demand in the international container maritime transport market?

Container shipping operations have evolved into different shipping routes aligned with global trade flows. According to Clarksons Research, the global container shipping volume reached around 211 million TEU in 2024. By route, the Trans-Pacific and Far East-Europe routes stand out as the primary trunk routes, accounting for about 11% and 8% of the total global volume, respectively.

To achieve economies of scale, liner companies have actively pursued upsizing of container vessels on major ocean routes in recent years. Leading liners continue expanding carrying capacity to increase market share and maintain competitive advantages. According to Clarksons Research, global container fleet capacity totaled about 30.847 million TEU as of the end of 2024, representing a year-on-year growth of around 10.0%.

09 What are the steps in international export container maritime transport?

Export container maritime transport generally contains several steps: booking, acceptance of shipping order, dispatch/picking-up of empty containers, container stuffing, haulage of loaded container to port, customs declaration and inspection, loading, departure, and exchange for a bill of lading (B/L).

(1) Booking. The shipper is required to complete a “booking note” some time before the shipment in accordance with the terms of the trade agreement or letter of credit to book capacity through a freight forwarder or with a liner directly.

(2) Acceptance of shipping order. The liner or its agent decides whether to fulfill the shipping order based on its capacity, route, and other factors and the shipper’s needs.

(3) Dispatch/picking-up of empty containers. In FCL shipping, empty containers are usually picked up by the shipper or its agent at the container yard with an equipment interchange receipt (EIR), although some shippers also use their own containers. In LCL shipping, empty containers are picked up by a container freight station with EIR. The shipment needs become reasonably certain once the shipper picks up the empty containers.

(4) Stuffing. Under FCL, the shipper is responsible for loading goods into containers at its warehouse or factory. Under LCL, the shipper or its agent will deliver the goods that will not take up the entire space of a container to the container freight station for consolidation.

(5) Haulage of loaded container to port. The shipper, its agent, or the container freight station delivers the loaded containers to the container yard before its closing.

(6) Customs declaration and inspection. Before

loading and shipment, the shipper or its agent needs to present the dock receipt, export license, and commodity inspection certificate to the customs. The dock receipt will be stamped with the clearance seal once the shipment is cleared.

(7) Loading. The container terminal prepares a stowage plan according to the cargo to be loaded and then moves the containers to the marshaling yard for loading once the ship is berthed.

(8) Departure. The ship is loaded with the cargo and will leave the port by the liner's sailing schedule to the destination port.

(9) Exchange for a bill of lading. The liner will make a B/L for the loaded cargo after the container ship leaves the port for two to three days. The shipper or its agent should exchange its original copy of the dock receipt for the original B/L issued by the liner or its agent, and then complete currency exchange at a bank.

10 What are the different types of containers?

The standard containers commonly used in international maritime transport are Twenty-foot Equivalent Units (TEU), Forty-foot Equivalent Units (FEU), and Forty-foot High Cube (FHQ). TEU measures 20' (L) × 8' (W) × 8'6" (H), FEU measures 40' (L) × 8' (W) × 8'6" (H), and FHQ measures 40' (L) × 8' (W) × 9'6" (H). Complementing these standard dry goods containers are the various types of special containers such as reefer (e.g., refrigerated), tank, flat rack, and platform.

11

What are full-container load (FCL) and less-than-container load (LCL)?

FCL and LCL are two common modes of container shipping. FCL is the mode where the shipper fills the whole of a container for shipment as a single unit. LCL is the mode where the cargo of one shipper is consolidated with those of others in a single container because it by itself is not enough to fill a whole container.

12

What are the common ways of dropping off and receiving container cargo?

Container Yard (CY), Container Freight Station (CFS) and Door are the three essential concepts in the delivery and receipt of container cargoes. A container yard is a designated storage area for handing over and storing loaded and empty containers. A container freight station, similar to a warehouse, is where cargoes are processed and consolidated into containers. A “door” is the door of the shipper’s factory or warehouse. Accordingly, there are nine combinations for cargo handover: CY/CY (CY to CY), CY/CFS, CY/Door, Door/Door, Door/CY, Door/CFS, CFS/Door, CFS/CY, and CFS/CFS. The specific choice depends on how the cargoes are handled between the shipper and the carrier. In general, liners use CY/CY, while NVOCCs that handle LCL shipments often use CFS/CFS.

13

What are the participants of the international container maritime transport market?

Major participants are the upstream and downstream companies, such as owners of means of transport, carriers, intermediaries, and shippers.

Owners of means of transport own container shipping assets and are broadly classified into shipowners and container companies. In particular, shipowners can be liner companies, large financial institutions, and other institutions that own container ships.

Carriers refer to the person by whom or in whose name a contract of carriage of goods by sea has been concluded with a shipper. Carriers mainly consist of liners and non-vessel operating common carriers (NVOCCs).

Most shippers are cargo owners who may be the consignors or the consignees.

Intermediaries provide intermediary services—space booking, customs declaration, and inspection declaration, for example—for carriers and shippers. The most common intermediaries are NVOCCs, common freight forwarders, shipping agents, and customs brokers.

14 What are the differences between a NVOCC and a liner company?

The *Maritime Law of the People's Republic of China* defines a carrier as “the person by whom or in whose name a contract of carriage of goods by sea has been concluded with a shipper.” Carriers mainly include liner companies and NVOCCs. A liner offers international shipping services with leased or its own container ships. By contrast, a NVOCC, upon accepting goods from a shipper in the capacity of a carrier, consigns the goods as a shipper to a liner for shipping.

15 What are the differences between a NVOCC and a freight forwarder?

NVOCC and freight forwarder are two common service providers in international logistics, but differ significantly in terms of legal status, scope of liability, and business models.

Firstly, NVOCCs, acting as carriers, issue their own bills of lading (house B/Ls), while freight forwarders typically operate as agents who arrange shipping but do not directly assume liability for the shipment.

Secondly, NVOCCs, though not owners of vessels, consolidate cargo and book space with liners for FCL shipments, subsequently splitting them into LCL shipments for clients. In contrast, freight forwarders primarily coordinate space booking, customs clearance, and other matters among parties to a transport contract, rather than act as a party thereto. Additionally, NVOCCs, as carriers, are responsible for the cargo during the entire transport process, whereas freight forwarders operate as agents whose primary role is to fulfill client instructions correctly, with transportation risks borne by the actual carriers.

In terms of fee charging, NVOCCs usually charge clients for the entire freight, while freight forwarders earn commissions or service fees. Regarding qualifications, NVOCCs are required to register with competent authorities, whereas freight forwarders generally need only a business license to operate.

In summary, NVOCCs are carriers in legal sense and assume liability for transportation, while freight forwarders act as intermediaries and only facilitate and arrange shipments.

16

What are Base Ports and Non-Base Ports?

The ports in international container shipping are divided into Base Ports and Non-Base Ports. A Base Port is the port which liner companies generally call on with their vessels on a regular basis. Located within regional hubs, most Base Ports are large and well equipped, enabling the shipment of a large and stable volume of cargoes. Generally, cargoes bound to Base Ports are shipped directly. Non-Base Ports are ports other than Base Ports.

17

What are the major ports in the international container maritime transport market?

The world's top ten container ports in 2024 were Shanghai, Singapore, Ningbo Zhoushan, Shenzhen, Qingdao, Guangzhou, Busan, Tianjin, Jebel Ali, and Port Klang, with Chinese ports taking six of the top ten spots by throughput. The six ports had a combined throughput of 205 million TEU, accounting for 68.15% of that of the top ten. Notably, the Shanghai Port, with a throughput of 51.506 million TEU, has been the largest container port in the world for 15 years in a row.

18 What is the composition of the regular freight rate for international container maritime transport?

The regular freight rate has two major components—basic ocean freight and surcharges—and is commonly quoted and settled in U.S. dollars. Basic ocean freight is charged by liners for each pricing unit (such as 1 FEU or TEU) of cargo shipped under the CY/CY term. Surcharges are the additional fees charged by liners according to the specific terms of carriage, fuel prices, peak or off-peak seasons, industry practices, etc. Examples include bunker adjustment factor, currency adjustment factor, peak season surcharge, war risk surcharge, congestion surcharge, canal surcharge, International Security Port Surcharge, and inland transshipment charges. In addition to the regular freight, international container shippers also need to bear a list of expenses quoted in their local currencies, such as terminal handling charges, documentation charges, telex release charges, customs declaration charges, container loading charges, and trucking charges.

19 What are the major factors influencing the freight rate for international container maritime transport?

The major influencing factors of international container freight rate are:

(1) Supply and demand. The supply and demand of the international container shipping market is the determinant of the freight rate. In general, a liner's shipping order ratio for a voyage is a real-time measure of the supply and demand situation for that voyage, while the loading ratio after the voyage starts has a large impact on the liner's pricing strategy.

(2) Costs. The level of costs has a remarkable impact on the freight rate. The main components of container shipping costs are fixed investment in vessels and containers, voyage operation cost, administrative expenses, and financial expenses.

(3) Global economy. The demand for international container shipping arises from global trade. Growth in global container capacity and growth in global trade are closely related. The international container freight rate is also strongly linked to the global economic environment.

(4) Exchange rate. Exchange rate fluctuations can have an impact on the cost control and profit calculation of liner companies, thus affecting their freight rate.

(5) Geopolitics. Past or future policies or major events that had or will have an impact on the global trade can trigger a short-term swing in the freight rate and even affect the long-term price trend.

(6) Other factors. Due to the diversity of goods and a long transport chain, the international container freight rate is impacted by many other factors, such as changes in upstream or downstream industries, weather, port strikes, anti-monopoly amendments, price negotiations for long-term supply agreements, alliance restructuring, and competition.

An aerial, high-angle view of a large container port. Numerous cargo ships are docked at long piers, their decks covered with stacks of colorful shipping containers in shades of blue, red, and white. Several large gantry cranes are visible, positioned along the piers to load and unload the ships. The water is a deep blue, and the overall scene conveys a sense of intense global trade and logistics activity.

Domestic and Overseas Shipping Indices and Shipping Derivatives Markets

20 What are the major shipping freight index providers in the world?

Currently, the world's general shipping freight index providers are the Shanghai Shipping Exchange (SSE), Baltic Exchange, S&P Global Platts, and Clarksons Research, whose shipping freight indices cover container, dry bulk, and tanker, shipping.

For container shipping, the widely-tracked freight indices worldwide and their providers include: CCFI, SCFI & SCFIS (SSE), NCFI (Ningbo Shipping Exchange), TCI (Tianjin International Trade and Shipping Service Center), WCI (Drewry), FBX (Baltic Exchange and Freightos Group), and XCI (Xeneta and Compass Financial Technologies).

21 What shipping derivatives are available in overseas markets?

Major overseas exchanges that list and clear shipping derivatives include the Singapore Exchange (SGX), European Energy Exchange (EEX), Chicago Mercantile Exchange (CME), and Intercontinental Exchange (ICE). The contracts range from futures to options and forward freight agreements (FFAs). In particular, CME launched its container freight index futures in March 2022 and SGX in February 2023.

According to the Futures Industry Association (FIA), in 2024, SCFIS (Europe Service) futures recorded a trading volume 6.2 times that of all overseas shipping derivatives combined.

An aerial photograph of a large port area, showing numerous container ships docked at piers and several large gantry cranes. The ships are covered in stacks of colorful shipping containers. The entire image is overlaid with a semi-transparent blue filter.

An Introduction to SCFIS (Europe Service)

22 What are the rules governing the compilation of SCFIS (Europe service)?

The rules governing the compilation of Shanghai (export) Containerized Freight Index based on Settled Rates (SCFIS) (Europe service) mainly include the *Rules for Compilation of SCFI based on Settled Rates (Provisional)*, *Measures of Shanghai Shipping Exchange for Amendments to Index Rules*, *Measures of Shanghai Shipping Exchange for Termination of Indices*, and *Measures of Shanghai Shipping Exchange for the Correction of Index Errors*.

These rules are available on SSE's official website (www.sse.net.cn).

23 What are the samplers of SCFIS (Europe service)?

The samplers are the panelists of the Europe-US Service Subcommittee under the SSE CCFI Compilation Committee. As of the end of 2024, the Subcommittee has 15 panelists, of which 14 (including 10 liner companies and 4 freight forwarders) report the SCFIS (Europe service) data to SSE.

The list of the panelists is available on SSE's official website (www.sse.net.cn).

24 What is included in freight rate information collected by SSE for the compilation of SCFIS (Europe service)?

SSE has a clear specification on the freight rate information collected from the panelists of the Index Compilation Committee. The specification covers the port of departure, port of destination, cargo type, container type and size, payment method, shipping terms, freight composition, and currency. Specifically, the port of departure is the Port of Shanghai; the port of destination is the base port of the route—Hamburg, Rotterdam, Antwerp, Felixstowe, and Le Havre. The containers are dry cargo containers, including 20-foot General Purpose containers (20GP), 40-foot General Purpose containers (40GP), and 40-foot High Cube containers (40HQ). The cargoes are general cargoes. The payment method is the prepayment of freight. The shipping term is Container Yard to Container Yard (CY/CY). The freight comprises the per-container basic ocean freight and related surcharges, which include fuel-related surcharge (e.g., BAF/FAF/LSS), currency surcharge (e.g., CAF), peak season surcharge (e.g., PSS), war surcharge (e.g., WRS), port congestion surcharge (e.g., PCS), canal surcharge (e.g., SCS/SCF/PTF/PCC), and other per-container USD ocean freight surcharges.

The spot market for shipping liners is defined as a three-month or less contract market, or a FAK (Freight All Kinds Rates)-based market, or an open market. The spot market for freight forwarders is defined as a market for retail contracts between them and clients, and the transaction price in which is not influenced by such factors as the type of cargo owner or the particulars of container volume.

25 How is SCFIS (Europe service) compiled?

Step 1: Data collection

According to the SSE specification, sample companies will, during 0:00-13:00 each Monday Beijing time, transmit information from the executed bills of lading (B/L) for voyages with actual departure time (ATD) between 0:00 last Monday and 24:00 last Sunday through the application program interface (API) automation system. Each B/L contains such information as B/L number (unique), destination port, container volume by container type and corresponding freight rate.

Step 2: Data pre-treatment

- (1) Verifying the B/L information. SSE uses the B/L data from Shanghai port to verify the information on each reported B/L such as the name of the ship, voyage, and ATD, and check whether the shipping schedule complies with the criteria for inclusion. Non-compliant data are excluded from index calculation.
- (2) Checking for duplicated B/L records of liner and freight forwarder. If the forwarder's freight rate is lower than the liner's, the former will not be used.
- (3) Removing outliers. SSE first screens out outliers of the freight rates for 20' containers and 40' containers by applying the Grubbs or Pauta tests, then for each container type screens out the highest 10% and lowest 10% of the remaining freight rates from all sample companies.
- (4) Limiting over-representation. SSE caps the container volume share of any single sample company by container type at 50%. An over-represented sample company's container volume will be reduced to 50% by multiplying the volume of each B/L of that company with the same coefficient.

Step 3: Index Calculation

After the above steps:

(1) Calculating the average freight rate by container type. The total freight rates of all remaining B/L divided by the total container volume equals the average freight rate.

(2) Calculating the benchmarking price index by container type. The average freight rate divided by the average freight rate on the base date, and then multiplied by 1,000 equals benchmarking price index by container type for the current period.

(3) Calculating SCFIS (Europe service). The weighted average of the benchmarking price index by container type is the SCFIS (Europe service).

For the details of the compilation of SCFIS (Europe service) please refer to the *Rules for Compilation of SCFI based on Settled Rates (Provisional)* published on SSE's official website (www.sse.net.cn).

26 How often is the SCFIS (Europe service) published?

The SCFIS (Europe service) is published on SSE's official website (www.sse.net.cn) at 15:05 each Monday (Beijing time). If a Monday is not a working day, SSE may publish the index either on that day or the following working day. In the last week of each year, SSE should announce the next year's publication date of the index on its website. In case the State Council adjusts any holiday arrangement at short notice, SSE may change the publication date accordingly. SSE should decide on whether to make the change in one working day after the State Council's notice and, if deciding to change, should announce the decision within 24 hours.

27 What is the base date and the base date index of SCFIS (Europe service)?

The base date is June 1, 2020, and the base date index is 1,000.

28 What is the emergency compilation method for SCFIS (Europe service)?

SSE has specified the emergency compilation method for SCFIS in the *Rules for Compilation of SCFI based on Settled Rates (Provisional)*. SSE will use this method to compile SCFIS and publish the index, if the number of sample companies in the current period fails to meet the minimum requirement for a certain route; or a major technical failure suddenly occurs; or there occurs any other emergency event specified in the above Rules. The emergency SCFIS compiled by SSE will have the same legal effect as the regularly published SCFIS.

29 What are the basis and procedures for the quarterly screening and adjustment of freight rate information from SCFIS (Europe service) sample companies?

SSE has developed the *Methodologies for the Quarterly Screening and Adjustment of Freight Rate Information from SCFIS Sample Companies* as the basis for the screening and adjustment.

Each quarter, SSE evaluates and screens the freight rate information collected from a sample company based on whether the sample company is a panelist of the Europe-US Service Subcommittee, the weakly average number of transaction records in the previous quarter, the total number of periods without a transaction record in the previous quarter, whether there is any missed report without justification in the previous quarter, and whether the index system is subject to quarterly validation. SSE completes the quarterly screening and evaluation report for sample companies within the first month of each quarter using data from the previous full quarter. Adjustments to sample companies are finalized on the first index publication date of the second month of each quarter.

30 How SSE verifies the data from sample companies?

SSE verifies each quarter whether the data transmitted by each sample company to the SCFIS data collection system fall within the definition and specification for freight rates.

31 How to correct miscalculated SCFIS (Europe service)?

According to the *Measures of Shanghai Shipping Exchange for the Correction of Index Errors*, SCFIS errors include errors of external data sources, errors in index compilation, and failures of software, hardware, and other infrastructures. In case a significant error is found in a published index, SSE will decide on whether to recalculate and republish the index after prudent assessment and consultation with the Index Expert Committee. In general, SSE will not deal with any error that occurred more than six months ago.

32 Under what circumstances will SSE suspend the publication of SCFIS (Europe service)?

If there lack sources of data in the spot market for calculating the index due to force majeure (including but not limited to earthquake, war, and strike), SSE has the right to suspend the publication of the index and make a timely announcement.

The publication of the index has never been suspended since its publication on November 2, 2020.

33 Under what circumstances will SSE terminate the publication of SCFIS (Europe service)?

According to the *Measures of Shanghai Shipping Exchange for Termination of Indices*, termination will be considered only when any of the following circumstances occurs: (1) there lacks data sources for index calculation, or the quality of available data sources is not high enough to support stable and accurate index calculation; (2) the index cannot reflect market reality due to any significant changes in market structure and other reasons; (3) there lacks sufficient samples; (4) any regular index review suggests the termination of the index; or (5) any applicable laws or regulations require the termination of the index or any other reasons.

As long as it is feasible, SSE should announce the termination of the index on its official website at least three months in advance and state the background and schedule for the termination. After the announcement, SSE should continue the daily maintenance, calculation, and publication of the index until the termination date.

34 What are the confidentiality rules applicable to the information submitted by the panelists of the Index Compilation Committee?

SSE has developed the *Confidentiality Rules for the Compilation of Containerized Freight Index*, which requires the index compilation team and relevant SSE personnel to strictly observe the confidentiality requirements. The relevant personnel have signed a confidentiality undertaking with SSE. Any disclosure in violation of the *Confidentiality Rules* will be investigated and handled in accordance with the *Law of the People's Republic of China on Guarding State Secrets* and applicable SSE rules.

35 What is the review process of SCFIS (Europe service)? What are the confidentiality measures for the index compilation personnel?

In general, SCFIS (Europe service) is compiled and published automatically by SSE's system. Only when the system automatically sends out a warning can authorized emergency personnel enter the emergency response office specially set up by the SSE to review system data and take corresponding actions.

An aerial photograph of a large port area, showing numerous container ships docked at piers and many cranes. The image is overlaid with a semi-transparent blue filter. The text is centered on the left side of the image.

Design of SCFIS (Europe Service) Futures Contract

36 What is the general design philosophy behind the SCFIS (Europe service) futures contract?

SCFIS (Europe service) futures (EC) contract is designed based on the general principles of “service index, international platform, RMB denomination, and cash settlement” to fully engage overseas traders.

37 Why is SCFIS (Europe service) chosen as the underlying index?

INE has chosen and uses SCFIS (Europe service) as the underlying index for the EC contract out of the following considerations: the state of the spot market (e.g., freight rate scale, market structure, number of participants, degree of internationalization, and standardization of freight rate); shipping index profile (e.g., its influence and volatility); and alignment with national strategies (e.g., whether the index is helping build China into a strong shipping nation and Shanghai into an international financial center and international shipping center).

38 What are the specifications of EC contracts?

The specifications for a standard EC contract are as follows:

Underlying	Shanghai (export) Containerized Freight Index based on Settled Rates (Europe service)
Contract Multiplier	50 Yuan per index point
Price Quotation	Index point
Minimum Price Fluctuation	0.1 index point
Listed Contracts	February, April, June, August, October, and December
Trading Hours	9:00–11:30 a.m., 1:30–3:00 p.m., and other trading hours specified by INE
Daily Price Limit	Within $\pm 10\%$ of the settlement price of the preceding trading day
Minimum Trading Margin	12% of contract value
Last Trading Day	The last futures-trading Monday of the delivery month (INE reserves the right to adjust the last trading day based on national holidays and weekends)
Delivery Period	Same as the last trading day
Delivery Type	Cash settlement
Product Symbol	EC
Listing Exchange	Shanghai International Energy Exchange

Note: The daily price limit and minimum trading margin are subject to the latest announcements of INE.

39 Why is the contract multiplier set to 50 yuan per index point?

The contract multiplier is one of the defining parameters of an index futures contract. An overly large multiplier will create a high barrier to market access and reduce market liquidity. But if it is too low, the contract would not meet the significant hedging needs of the industry players. Therefore, INE believes a contract multiplier of 50 yuan/index point properly reflects the market realities.

Each EC contract is valued at RMB 50,000 based on the base date value of the index (1,000 pts) on June 1, 2020 and RMB 518,673 based on the historical peak value of the index (10,373.45 pts) on September 20, 2021.

40 Why are EC contracts priced and settled in RMB?

This will create additional applications for RMB and also promote the higher-quality development and opening up of China's futures market.

41 Why is the minimum price fluctuation set to 0.1 index point?

Domestic and overseas index futures generally have a minimum price fluctuation of 0.1 to 0.5 points. On account of SCFIS (Europe service)' 0.01-pt tick size, the futures contract's minimum price fluctuation should not be too large as to cause notable deviation from the underlying index, or too small as to affect its smooth trading. Furthermore, past data show that the freight market is cyclical, comprising periods of stable prices and periods of volatile prices. The minimum price fluctuation is set to 0.1 points to primarily account for the stable periods. This size can fairly accurately capture the changes in the spot index and readily cover the various quotation ranges for the futures contract.

42 What are the contract months?

In view of the characteristics of the spot market and other domestic and overseas index futures contracts, INE lists the EC contracts for even months, i.e., February, April, June, August, October, and December.

43 What are the trading hours of EC contracts? Is continuous trading available?

The trading hours of EC contracts are 9:00–10:15 a.m., 10:30–11:30 a.m., and 1:30–3:00 p.m.; continuous trading is not available for the time being.

44 What's the daily price limit?

The daily price limit of EC contracts is $\pm 10\%$ of the previous settlement price; that on the last trading day is $\pm 20\%$ of the previous settlement price. INE may adjust the daily price limit through announcement in view of the level of market risks.

45 What is the margin rule for EC contracts?

As the daily price limit of EC contracts is $\pm 10\%$, INE sets their minimum trading margin requirement at 12%. In delivery months, INE implements a progressive margining system to address the uncertainty created by fluctuations of the spot index. Specifically, the minimum trading margin is raised to 20% starting from the seventh trading day before the last trading day, and to 30% starting from the second trading day before the last trading day.

At present, EC contracts do not apply larger-side margining, that is, margin is required for both sides if an investor holds long and short positions.

In addition, INE may adjust the trading margin requirement through announcements based on the level of market risks.

46 How were the last trading day and delivery date determined?

To ensure that the spot index publication date, the last trading day and cash settlement date of an EC contract fall on the same date, and to avoid the impact of long holidays, INE has chosen the last futures-trading Monday in the delivery month of the contract as its last trading day. This date is subject to change based on national holidays and weekends. The delivery date is the same as the last trading day.



Trading Access

47 Does the “one account-one trading code” system offers any solution that allows one firm to distinguish between the trades of its different sub-accounts?

INE implements the “one account-one trading code” system; aggregation or netting of the positions of multiple clients is not allowed. This means Futures Firm Members (“FF Members”), Overseas Special Brokerage Participants (“OSBPs”), and Overseas Intermediaries should apply for a unique trading code for each of their clients. Special institutional clients that are required by Chinese laws, regulations, ministry-level rules, and other policies to manage assets under segregated accounts may, for purposes of futures trading, apply for a trading code for each such segregated account.

48 How can overseas traders access the EC market?

Overseas traders can access the EC market through the Qualified Foreign Investor (QFI) and Specified Domestic Product channels.

Under the QFI channel, overseas traders mainly access the EC market directly through a domestic FF Member. This is similar to the account opening process for domestic traders.

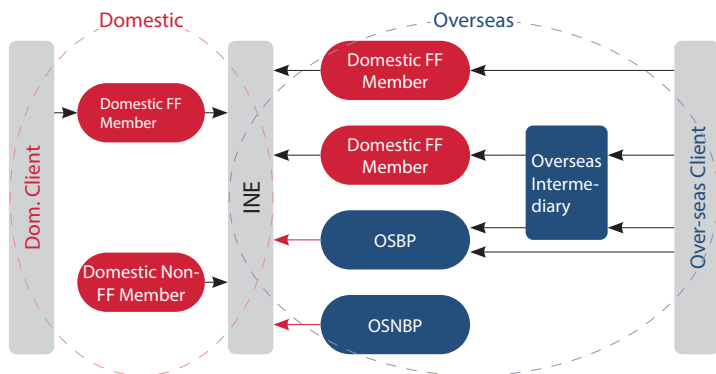
Under the Specified Domestic Product channel, overseas traders can access the EC market in the following four ways:

I: Directly through a domestic FF Member;

II: Through an Overseas Intermediary that has a carrying-brokerage relationship with a domestic FF Member or OSBP;

III: Through an OSBP;

IV: Through an OSNBP.



Note 1: Black arrows indicate trading, clearing, and delivery. Red arrows indicate direct trading access to INE, but Overseas Special Participants ("OSPs") must complete clearing and delivery through domestic FF Members.

Note 2: The figure above is for reference only. Market access process may vary depending on account-opening channels, jurisdictions of traders, or other factors.

49 What are the eligibility criteria for trading EC contracts?

Investors intending to trade EC contracts should meet the eligibility requirements under the *INE Futures Trading Participant Eligibility Management Rules* (referenced in the table below). However, any investor that is already eligible to trade other listed products subject to the eligibility rules of other trading venues in Chinese Mainland may be exempted from certain requirements while applying for a trading code or trading access at INE. In particular, a client with trading access to crude oil futures, crude oil options, TSR 20 futures, LSFO futures, or bonded copper futures is automatically granted trading access to EC contracts at the same account opening institution.

Type of Investor	Requirements Summary
Institutional Investor	1. Having relevant business professionals who understand the essentials of futures trading and the rules of INE;
	2. Having recognized trading experiences and trading records in futures, options, and centrally cleared derivatives;
	3. Having a balance of no less than RMB 100,000 or its equivalent in foreign currency in its margin account for five consecutive business days before applying for the trading code or trading access;
	4. Having sound internal control and risk management systems;
	5. Having not been prohibited from entering the futures market or restricted in futures trading.
Individual Investor	1. Having full capacity for performing civil juristic acts;
	2. Understanding the essentials of futures trading and the related business rules;
	3. Having recognized trading experiences and trading records in futures, options, and centrally cleared derivatives;
	4. Having a balance of no less than RMB 100,000 or its equivalent in foreign currency in its margin account for five consecutive business days before applying for the trading code or trading access;
	5. Having not been prohibited from entering the futures market or restricted in futures trading.

Source: INE.

50 Does an overseas individual trader have to open an account at a bank in China to trade EC contracts?

An overseas individual trader may trade EC contracts at INE through an FF Member in China or an overseas broker. In the case of an FF Member, the overseas individual trader must open a dedicated futures settlement account at a Designated Depository Bank in China. In the case of an overseas broker, there is no need to open an account at a bank in China.

51 What considerations should a broker address when onboarding Europe-registered investors?

At present, INE has completed registration in Hong Kong and Singapore and acquired ATS and RMO licenses respectively, and is included on the European Securities and Markets Authority (ESMA)'s Positive List For Post-Trade Transparency Assessment of Third-Country Trading Venues. INE is committed to further strengthening cooperation with international markets.

Given the large number of countries in Europe as well as the dual regulation of EU and home-country authorities, European and U.S. brokerage firms should take special care in managing client eligibility and in conducting businesses according to local laws and regulations. Similarly, futures firms that have partnered with European or U.S. brokers should be familiar with the overseas legal system (including the *General Data Protection Regulation* (GDPR)) in advance, so as to conduct business legally and compliantly.

52 Can a domestic Non-FF Member trade on INE through one or more futures firms?

Article 37 of *INE Membership Management Rules* provides that “except otherwise approved by the Exchange, a Non-FF Member shall not open another account as a Client to engage in futures trading.” Therefore, a corporate entity may not trade through a broker as a client if it is already a Non-FF Member.

53 Can mutual funds trade EC contracts?

Mutual funds have been recognized as a type of Special Institutional Clients and, as such, can open special institutional client accounts to trade EC contracts.

54 Does INE accept English documents in trading activities and document signing? And does INE provide English versions of regulations, rules, notices, and circulars?

The INE accepts feedback in English during the drafting and amendment of its rules, and bilingual (Chinese and English) documents during account opening as well as for other application materials from Overseas Intermediaries and Overseas Special Participants (OSPs). According to Article 41 of the *INE Overseas Special Participant Management Rules*, written application materials submitted by Overseas Intermediaries and OSPs to INE shall all have corresponding Chinese versions, which prevail in the event of any discrepancy. INE will try its best to publish laws, rules, notices, and circulars in both Chinese and English; but as legal texts, the Chinese version is deemed definitive.

55 For overseas clients, which overseas trading platforms have access to the EC market at the INE?

Currently, trading software such as CQG, PATs, Bloomberg, Tradex, Esunny, and TT have access to the EC market, and clearing system FIS has access to CTP. INE is actively working with the major international trading platforms to assist their access.



Clearing and Risk Management

56 How is the daily settlement price of an EC contract determined?

The daily settlement price of an EC contract is the volume-weighted average price of all trades in that contract executed on that trading day. For special-case situations, please refer to the relevant provisions of the *INE Clearing Rules*.

57 How is the final settlement price of an EC contract determined?

The final settlement price of an EC contract is the benchmark price for its final settlement, and is now set to the arithmetic mean value of the three SCFIS (Europe service) values published by the SSE on the last trading day of the contract and on the first and second index publication days before the last trading day. In terms of formula:

$$P_T = \frac{P_1 + P_2 + P_3}{3}$$

P_T : The final settlement price

P_1 : The index point value published by the SSE on the second index publication day before the last trading day of the contract

P_2 : The index point value published by the SSE on the first index publication day before the last trading day of the contract

P_3 : The index point value published by the SSE on the last trading day of the contract

58 What if SSE fails to publish the underlying index for calculating the final settlement price of an EC contract?

If SSE fails to publish the underlying index for calculating the final settlement price of an EC contract on time, the final settlement of the contract will be affected. In this case, INE will wait for the publication for a reasonable period. If SSE still fails to publish P_1 and P_2 before 3:05 p.m. Beijing time on the Wednesday of the week when they should be published, or fails to publish P_3 before 3:30 p.m. Beijing time on the day when it should be published, INE may determine P_1 , P_2 , and P_3 based on market conditions and announce them to the market on a timely basis.

59 What risk control measures will be taken if the cumulative price change in an EC contract reaches a certain percentage (but does not trigger a continuous limit-locked market)?

If the cumulative price change (denoted as N) in an EC contract reaches 18% over 3 consecutive trading days (denoted as D1-D3), or 24% over 4 consecutive trading days (denoted as D1-D4), or 30% over 5 consecutive trading days (denoted as D1-D5), INE may, in view of market conditions, take one or a combination of measures stipulated by Article 9 of the *Risk Management Rules of the Shanghai International Energy Exchange* (the “*INE Risk Management Rules*”), and report to the CSRC in advance. The measures include: (1) require additional trading margin from some or all of the Members and/or OSPs on long and/or short position, at the same or different rates of margin rates; (2) limit the withdrawal of funds by some or all of the Members; (3) suspend the opening of new positions for some or all of the Members and/or the OSPs; (4) adjust the price limit, but not to be over 20% up or down; (5) require the liquidation of positions by a prescribed deadline; (6) exercise forced position liquidation; and/or (7) take other measures INE deems necessary.

60 What risk control measures will be taken if an EC contract triggers a same direction limit-locked market?

According to the *INE Risk Management Rules*, if a same direction limit-locked market exists on the last 5 trading days (and D1 falls on one of these 5 trading days), trading is permitted until the final settlement. The risks of any other same direction limit-locked market will be managed in accordance with INE's existing risk control rules on limit-locked market.

61 How is the position limit of EC contracts designed?

To prevent traders from using their capital strength to manipulate the open interest and thus influence futures trading prices, and to achieve different purposes at different periods of trading, INE imposes different relative and absolute position limits on EC contracts. The specific limits at different periods of trading are as follows:

	From the Day of Listing to the Delivery Month		From the Day of Listing to the Eighth Trading Day Before the Last Trading Day		From the Seventh Trading Day Before the Last Trading Day to the Third Trading Day Before the Last Trading Day		From the Second Trading Day Before the Last Trading Day to the Last Trading Day	
	Open interest of an EC contract (lots)	Relative limit (%)	Absolute limit (lots)		Absolute limit (lots)		Absolute limit (lots)	
		FF Member, OSBP, Overseas Intermediary	Non-FF Member, OSNBP	Client	Non-FF Member, OSNBP	Client	Non-FF Member, OSNBP	Client
EC contract	≥ 30,000	25	1,200	1,200	360	360	120	120

Note: The open interest and the position limits in the table are counted by either long or short positions.

62 Is a trading limit set for EC contracts?

According to the *INE Risk Management Rules*, INE sets a limit for opening positions on an EC contract in a single day to control market risks. INE may adjust the trading limit based on market conditions and announce the adjustment to the market.

63 How is high-frequency trading regulated for EC contracts?

INE will charge order submission fees for Clients whose message amount (the number of trading orders such as order placement and order cancellation) and order to trade ratio (OTR) reach a certain threshold on EC contracts.

64 Are market makers available in the EC market?

Currently, INE has introduced market makers to the EC market to provide liquidity.

65 What happens if the underlying index is not published for three consecutive weeks or is terminated?

If the underlying index is not published for three consecutive weeks or is terminated, INE may, subject to the INE Risk Management Rules and the approval of its Board of Directors, take the following emergency measures to mitigate risks and announce an abnormal situation has occurred: adjusting the market opening and closing time, suspending trading, terminating trading, adjusting the price limit, raising the margin requirement, requiring the liquidation of positions by a prescribed deadline, carrying out forced liquidation, suspending funds withdrawals, carrying out forced position reduction, and restricting trading, among others.

66 What measures will INE take when the underlying index is corrected?

To maintain an orderly futures market, the *INE Delivery Rules* provides that, after 3:30 p.m. Beijing time on the last trading day of an EC contract, the final settlement price for the contract as determined by INE rules is not subject to further adjustment. In case of a correction by SSE before that time point, INE and SSE will proceed pursuant to relevant management rules.

67 How to perform currency exchange for trading EC contracts?

EC contracts are priced and settled in RMB. Overseas traders and overseas brokers may post margin in RMB or directly in USD, but USD-denominated margin can be used for clearing purposes only after it is exchanged into RMB.

For overseas traders and overseas brokers, the purchase and sale of RMB must be based on the actual results of their trades in EC contracts, and may only be performed for payments in connection with such trades, such as for settling profits and losses, paying transaction fees, and depositing additional cash funds for clearing purposes.

68 For overseas traders, how are fund transfers handled for EC contracts?

EC contracts are classified as a Specified Domestic Product. According to PBC's Announcement [2015] No. 19 and SAFE's Circular Huifa [2015] No. 35 and related Q&As, overseas investors and overseas brokers may transfer offshore RMB or USD to onshore bank accounts to trade Specified Domestic Products. These funds will be deposited in dedicated accounts under closed-loop management, and may not be used for any purpose other than the trading of Specified Domestic Products. Fund transfers should comply with the scope of payments and receipts prescribed by relevant policies.

According to the Announcement [2024] No. 7 of PBC and SAFE, qualified investors conducting spot exchange of foreign currency or futures, derivatives or other trading in the Chinese Mainland may open dedicated fund accounts for domestic fund transfers pursuant to relevant settlement rules by presenting their registration certificates.

69 For risk management purposes, will the positions held by subsidiaries of the same parent company be managed separately or be aggregated and managed on a net basis?

Long and short positions under each entity's trading code are subject to the position limits set out in applicable rules, and are calculated separately without netting. Additionally, if several entities are not linked by actual control relationship, their positions will be managed separately; if the entities are linked by actual control relationship, non-FF Members and OSNBPs are required to report accounts linked by actual control relationship to INE, while clients should do so with CFMMC. INE obtains information about these accounts from CFMMC, and aggregates and manages relevant positions accordingly.

70 What are INE's rules governing hedging and arbitrage trading with EC contracts?

INE manages hedging activities through a review and approval system. If a trader believes that the general position limit is too low to meet its hedging needs, it may apply to INE for a hedging quota.

In relation to the hedge and arbitrage trading positions in an EC contract, the regular months are the period from the listing day to the eighth trading day before the last trading day; the nearby delivery months are the period from the seventh trading day before the last trading day to the last trading day.

The application for hedge quota for regular months should be submitted between the listing day of the contract and the eighth trading day before the last trading day. Late application will not be accepted.

The application for hedge quota and arbitrage quota for the nearby delivery months should be submitted between the first trading day of the month before the delivery month of the contract and the fifth trading day before the last trading day. Late application will not be accepted.

The hedge quota for the nearby delivery months may be repeatedly used between the seventh trading day before the last trading day and the third trading day before the last trading day, but cannot be repeatedly used from the second trading day before the last trading day.

71 Can letters of credit be posted as margin?

Currently, INE does not accept letters of credit as margin collateral.

72 Can OSNBPs and overseas clients post foreign currency as margin?

OSNBPs and overseas clients can use foreign currency as margin. If foreign currency is used, the day's CNY (RMB) central parity rate published by the China Foreign Exchange Trade System (CFETS) will be used to calculate the market value of the foreign currency. At present, INE rules state that USD is the only foreign currency accepted as margin, at a haircut of 0.05. Before market close on a given day, the market value of foreign currency is provisionally determined by the CNY central parity rate published by CFETS on the previous trading day. This value will be revised and discounted during daily clearing according to the rules above.

73 Is it true that for OSNBPs and overseas clients, foreign currency can only be used as trading margin, while all expenses and profits and losses resulting from futures trading must still be settled in RMB?

Yes.

As a Specified Domestic Product, EC contracts are subject to the following provisions of PBC's Announcement [2015] No. 19:

"II. Domestic crude oil futures transactions shall be priced and settled in RMB....

"IX. A foreign trader or foreign brokerage agency may directly use foreign [currency] as the margin, and the foreign [currency] margin may not be used for the settlement of domestic crude oil futures funds until it has been settled [i.e. exchanged into RMB]....

"XIII. This Announcement shall apply, *mutatis mutandis*, to the cross-border settlement of transactions in other specified domestic futures products approved by the China Securities Regulatory Commission."

In addition, Article 23 of the *INE Clearing Rules* provides that "the clearing currency at INE is RMB." Article 74 specifies that "Subject to the approval of INE, the following assets may be used as margin: standard warrants; book-entry government bonds issued by the Ministry of Finance of the People's Republic of China in the Chinese Mainland; foreign exchange (types of currencies, haircuts and scopes of application, among others, shall be prescribed by the Exchange separately); and other assets."

74 Does currency exchange for futures trading have to be performed at a Designated Depository Bank?

The purchase and sale of currencies for futures trading must be completed at a Designated Depository Bank. When exchanging currencies, an INE member may check the real-time exchange rate offered by various Designated Depository Banks and choose a suitable one.

75 What action will INE take, if a member fails to make up for the difference following the margin call?

Article 40 of the *INE Clearing Rules* lists the actions INE will take in the event that a member fails to meet the required clearing deposit balance on any internal ledger: if the balance is zero or positive, the corresponding member or OSP will be prohibited from opening new positions; if the balance is negative, INE will carry out forced liquidation or take other necessary measures according to the *INE Risk Management Rules*.

76 Is it required for an overseas company that trades through a domestic FF Member to open a dedicated bank account for futures trading?

If an overseas trader or overseas broker directly engages a domestic futures firm for clearing (or trading and clearing) services, it must open a futures settlement account at a Designated Depository Bank that is qualified to offer margin depository services for overseas clients.

77 Can a domestic Non-FF Member open a foreign exchange account for trading EC contracts?

The short answer is “no.”

According to SAFE Circular Huifa [2015] No. 35, only overseas traders, overseas brokers, as well as futures firms and other institutions that are qualified to clear trades and are providing trading, clearing, and other related services to overseas traders and overseas brokers in relation to Specified Domestic Products, may open a dedicated foreign exchange account for those purposes.

An aerial photograph of a large port area, showing several container ships docked at piers. Numerous colorful shipping containers are stacked on the ships and on the ground. Several large gantry cranes are visible, used for loading and unloading the ships. The image is overlaid with a semi-transparent blue filter.

Delivery

78 Why do EC contracts adopt cash settlement?

The EC contract is an index derivative and most index derivatives are cash-settled. Cash settlement simplifies the delivery process, reduces delivery costs, and makes delivery more efficient.

79 What is the cash settlement process for EC contracts?

EC contracts employ cash settlement. After market close on the last trading day, INE will clear and transfer the profits and losses of the trading parties at the final settlement price and close out the remaining open positions.

80 What is the delivery unit of EC contracts?

The delivery unit of an EC contract is 1 lot. Delivery should be made in the integral multiples of the delivery unit.

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Special thanks to the Shanghai Shipping Exchange for reviewing the spot index section of this Q&A.

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