**Appendix 5**

**STAINLESS STEEL FUTURES RULES OF THE SHANGHAI FUTURES EXCHANGE**

**(Revised)**

**CHAPTER 1 GENERAL PROVISIONS**

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

**Article 2** These *Stainless Steel 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 stainless steel futures is five (5) metric tons per lot.

**Article 4** Price quotation of a stainless steel futures contract is Yuan (RMB)/metric ton.

**Article 5** Minimum price fluctuation of a stainless steel futures contract is five (5) Yuan/metric ton.

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

**Article 7** Trading hours of a stainless steel 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 a stainless steel futures contract is the 15th day of the contract month (postponed accordingly if it is a legal holiday in China and 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 stainless steel futures is SS.

**Article 10** For the hedging and arbitrage quotas of a stainless steel 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 a stainless steel 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 a stainless steel 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 a stainless steel 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 a stainless steel 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** A stainless steel futures contract may be physically delivered through an Exchange of Futures for Physicals (“EFP”), a delivery warehouse, or a delivery factory.

Stainless steel futures adopt duty-paid delivery.

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

**Article 15** Quality specifications

The deliverable stainless steel shall be of a registered brand from a manufacturer registered with the Exchange, or of a designated brand from a manufacturer recognized by the Exchange (the brands and manufacturers will be specified and announced by the Exchange).

The quality of deliverable stainless steel shall conform to the specifications of GB/T3280-2015 *Cold-Rolled Stainless Steel Plates and Strips* or JIS G 4305: 2012 *Cold-Rolled Stainless Steel Plates and Strips*, and the *Steel* *Deliverable Registration Rules of the Shanghai Futures Exchange*.

The surface quality of deliverable stainless steel shall meet the requirements of the *Steel Deliverable Registration Rules of the Shanghai Futures Exchange*.

**Article 16** Specifications

Stainless steel underlying each standard warrant shall consist of commodity of the same manufacturer, (registered) trademark, grade (designation), width, thickness, and edge.

**Article 17** Packaging

The mark and the certificate of quality of deliverable stainless steel shall conform to the specifications of GB/T3280-2015 *Cold-Rolled Stainless Steel Plates and Strips* or JIS G 4305:2012 *Cold-Rolled Stainless Steel Plates and Strips*.

The packaging of deliverable stainless steel shall meet the requirements of the *Steel Deliverable Registration Rules of the Shanghai Futures Exchange*.

**Article 18** Required documentation for deliverable commodity

The certificate of quality issued by the registered manufacturer or a manufacturer recognized by the Exchange shall be provided.

**Article 19** Measuring and tolerance

The deliverable stainless steel shall be measured by net weight. Difference between standard warrant weight and actual delivery weight shall not exceed plus or minus five percent (±5%). Pound difference shall not exceed plus or minus three-tenths of one percent (±0.3%).

**Article 20** Delivery unit of a stainless steel futures contract is sixty (60) metric tons.

**Article 21** Delivery period of a stainless steel 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 a stainless steel futures contract is the arithmetic average of its settlement prices 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 and surface quality

(i) Dispute over packaging and surface quality shall not constitute a delivery default;

(ii) If the owner has any dispute about the packaging or surface quality of the commodity, such as pits, scrapes, or seawater stains, the manufacturer, delivery warehouse, seller, or initial creator of the standard warrant shall cooperate with the owner in resolving such dispute.

At the request of the owner and other parties to the dispute, a Designated Inspection Agency may issue a quality assay report in accordance with *Steel Deliverable Registration Rules of the Shanghai Futures Exchange*. The findings of the report shall be applicable to the commodity in question only.

**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** A warehouse standard warrant of stainless steel shall be valid for three hundred and sixty (360) days from the earliest production date of the underlying commodity.

**Article 27** Deliverable stainless steel underlying each warehouse standard warrant shall be stacked together.

**Article 28** After the physical delivery is completed, if the buyer has any dispute over the quality or quantity of the commodity, 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 stainless steel 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 29** An applicant for certification as a delivery factory whose net assets are less than RMB 100 million (100,000,000) yuan shall provide the Exchange with a letter of guarantee issued by a relevant organization.

**Article 30** The take-delivery locations for a factory delivery include places of production of the registered enterprises for the deliverable commodities of the Exchange’s relevant steel futures products, the Delivery Storage Facilities, and other take-delivery locations announced by the Exchange.

**Article 31** Factory take-delivery locations are classified into benchmark take-delivery locations and non-benchmark take-delivery locations.

The list of benchmark take-delivery locations and the corresponding take-delivery premiums and discounts are as determined and announced by the Exchange.

The list of non-benchmark take-delivery locations and the corresponding take-delivery premiums and discounts are as determined and adjusted by Factories and announced on the website of the Exchange.

The take-delivery premium and discount of a take-delivery location shall be settled by the Factory and the owner holding the relevant factory standard warrants based on the weight indicated on those warrants.

An owner holding factory standard warrants shall select and confirm the take-delivery location when submitting an application for taking delivery.

**Article 32** Application

Before issuing any factory standard warrants, a Factory shall submit an issuance notice to the Exchange, specifying such information as the product, grade (designation), trademark, specifications, name of the carrying Member, name of the owner, and the quantity of standard warrants to be issued.

**Article 33** The validity period for the delivery of stainless steel factory standard warrants shall be three hundred and sixty (360) days from the date of creation of such warrant.

**Article 34** Application for taking delivery

(i) An owner shall submit an application through the Standard Warrant Management System to the intended Factory in accordance with the minimum take-delivery quantity, the application cut-off date, and other requirements of the selected take-delivery location. The specific requirements will be separately announced by the Exchange. The application shall specify such information as 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.

If the owner’s proposed take-delivery date coincides with that of other owners holding factory standard warrants and their total daily take-delivery quantity exceeds the daily shipment quantity of the Factory, 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). The earliest take-delivery date that the Factory provides shall be within ten (10) days 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 take-deliveries made by multiple owners as described in sub-paragraph (ii), provided that the Factory shall timely report such delay and its causes to the Exchange for written record.

**Article 35** The production date of load-out commodity shall be within three hundred and sixty (360) days before the take-delivery date agreed between the owner and the Factory. The stainless steel to be loaded out under each factory standard warrant shall have production dates within a period of thirty (30) consecutive days.

**Article 36** The weight of load-out commodity shall be the net weight on its labels.

**Article 37** 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 assume responsibility for commodity quality in accordance with the standard specified in the *SHFE Stainless Steel Futures Contract Specifications*, and 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 38** If an owner fails to take delivery at the Factory within fifteen (15) days (including the 15th day) after the agreed take-delivery date, then the owner shall pay an overdue fine to the Factory. 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 39** 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 40** 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 × 130%

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 41** If a Factory commits any default described in Article 39 or 40, 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 42** If an owner commits any default described in Article 37 or 38, 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 43** Any losses incurred to either a Factory or an owner due to any event described in Article 37, 38, 39 or 40 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 44** 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 ten (10) business days following the physical delivery; 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.

**Article 45** Upon the cancellation of a factory standard warrant, the Factory may apply to the Exchange for an adjustment of the amount of guarantees it is required to provide.

**CHAPTER 4 RISK MANAGEMENT**

**Article 46** The minimum trading margin for a stainless steel futures contract is 5%.

**Article 47** The stage-based trading margin rates for stainless steel 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 48** The range of price limit for a stainless steel futures contract is within ±4% of its settlement price of the preceding trading day.

**Article 49** Percentage-based Position Limit and fixed-amount Position Limit for each stainless steel 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 open  interest | Percentage-based Position Limit (%) | Total open  interest | 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 |
| Stainless steel | ≥ 70,000 | 25 | ≥ 70,000 | 10 | 10 | 1,800 | 1,800 | 360 | 360 |
| < 70,000 | 7,000 | 7,000 |

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 50** For contracts in stainless steel 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 twelve (12) 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 twelve (12) lots.

**Article 51** If the Exchange makes a forced position reduction to a stainless steel 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 stainless steel 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, 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 stainless steel 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 stainless steel 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 stainless steel 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 stainless steel 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 52** Matters not covered herein shall be governed by the applicable business rules of the Exchange.

**Article 53** Any violations of these *Stainless Steel Futures Rules* will be handled by the Exchange in accordance with the *Enforcement Rules of the Shanghai Futures Exchange*.

**Article 54** The Exchange reserves the right to interpret these *Stainless Steel Futures Rules*.

**Article 55** These *Stainless Steel Futures Rules* take effect on April 14, 2025.