

Dalian Commodity Exchange

RBD Palm Olein Futures Internationalization Frequently Asked Questions

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www.dce.com.cn

Address: No.129 Huizhan Road, Dalian 116023, China

Tel: (86) 411-8480 8888 Fax: (86) 411-8480 8588



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1. What's RBD Palm Olein Futures Internationalization?

A DCE RBD palm olein futures internationalization refers to the scheme arrangement by DCE introducing overseas traders to participate in the DCE RBD palm olein futures trading while keeping current domestic RBD palm olein futures contracts unchanged.

2. How to participate as an overseas trader?

A There are two routes available for overseas traders to participate: (i) to directly participate in trading through a domestic futures company; and (ii) to participate in trading through an overseas broker entrusted by a domestic futures company.

3. How does the account-opening institution open an account for overseas traders?

A The account-opening institution shall check the authenticity, lawfulness, validity and completeness of the account-opening materials submitted by the overseas trader and ensure that he/she meets the real name requirements and DCE's trader suitability requirements before submitting his/her account-opening materials through the CFMMC's uniform account-opening system (please refer to the CFMMC's Uniform Account-opening Business Operation Rules for Overseas Traders for the specific requirements).

4. What's the settlement currency of RBD palm olein futures?

A RBD palm olein futures trading is priced and settled with RMB. The settlement of transaction profit or loss, commission fees and delivery payment shall be completed in RMB.

5. What types of assets can be used as margins?

A RMB, foreign currency, standard warehouse receipts, China's government bonds are currently accepted by DCE as margins.

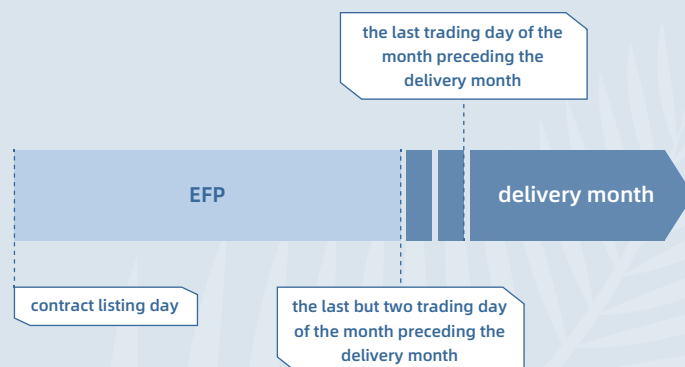
6. How to use foreign currency as margins?

A At present, USD is the foreign currency that can be used as margins, with a haircut of 5%. Before the market close of each trading day, DCE will use the central parity rate of RMB announced by China Foreign Exchange Trading System (CFETS) on the previous day as the benchmark price to calculate the market value of foreign currency funds. When settling on the then-current day, the central parity rate of RMB on such day announced by CFETS will be used as the benchmark price to adjust the market value and discounted amount of foreign currency funds.

7. What's the settlement mechanism of DCE RBD palm olein futures?

A DCE RBD palm olein futures contracts adopt physical settlement mechanism where EFP delivery (Exchange of Futures for Physical) and one-off delivery are available for market participants.

As the most traditional physical delivery method, EFP is done through bilateral negotiations between sellers and buyers. Only institutional clients can apply for EFP. The EFP term starts from the contract listing day to the last but two trading day (inclusive) of the month preceding the delivery month.



2020 NOVEMBER						
Mon	Tue	Wed	Thu	Fri	Sat	Sun
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Note: Trading of Dec 2020 contract of DCE RBD palm olein futures would cease in December 2020 while the end of EFP would be 26th November 2020.

The one-off delivery, which is organized by DCE, shall be completed within 3 trading days (standard warehouse receipt submission day, matching day and handover day) after the last trading day of the contract.

2020 DECEMBER						
Mon	Tue	Wed	Thu	Fri	Sat	Sun
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Note: Trading of Dec 2020 contract of DCE RBD palm olein futures would cease on 14th December while one-off delivery would be completed in the following 3 trading days.

(For detailed rules, please refer to *Article 10, Article 61 of Measures for Delivery Management of Dalian Commodity Exchange*)

8. Where are those delivery points of DCE RBD palm olein futures?

- A At the end of November 2020, DCE has 4 delivery factory warehouses and 14 delivery storage warehouses located in Tianjin, Jiangsu and Guangdong provinces, detailed information can be found on DCE website.

9. Who are not qualified to participate in physical delivery of DCE RBD palm olein futures?

- A Entity clients that cannot receive or issue VAT invoices shall not engage in the delivery.
(For detailed rules, please refer to *Article 6 of Measures for Delivery Management of Dalian Commodity Exchange*)

10. How do I prove that I am a qualified entity client for physical delivery of RBD palm olein futures?

- A You need to submit legal and valid qualification certificates for receiving or issuing VAT invoices to DCE through the Member before 14:30 of the handover day for one-off delivery, or when applying for standard warehouse receipt EFP. Failure to submit within the specified time limit would be deemed as not qualified for receiving or issuing VAT invoices.

(For detailed rules, please refer to *Article 17 of Detailed Rules of RBD Palm Olein Futures of Dalian Commodity Exchange*)

11. What if unqualified entity clients enter into the one-off delivery? Any consequences?

- A If the positions held by entity clients of the RBD palm olein futures contracts that cannot receive or issue VAT invoices are matched during one-off delivery, then a fine of 20% of the contract value calculated at the delivery settlement price would be imposed before the market close on the handover day.

(For detailed rules, please refer to *Article 6 of Measures for Delivery Management of Dalian Commodity Exchange*)

12. Would DCE charge order fees for RBD palm olein futures?

- A Yes, in order to optimize the regulation of order placement and cancellation and to ensure stable operation of the

market, DCE decided to charge order fees for RBD palm olein futures. The standards and methods of the order fee may be subject to adjustments by DCE based on the market situation. Detailed information and following updates can be found on DCE website.

(For detailed rules, please refer to *Article 38 of Measures for Clearing Management of Dalian Commodity Exchange*)

13. Who would be charged order fees?

- A** A: The order fee shall apply to the clients and Non-Futures Company Members whose quantity of the concluded contracts for RBD palm olein futures on the then-current day exceeds 600 lots and meets the standard of charging order fees.

As for the same client who has several trading codes with different Futures Company Members, or clients and Non-Futures Company Members involving actual control relationship, DCE will calculate their number of order placed, number of order cancelled, ordered volume, cancelled volume, traded volume and other indicators on a consolidated basis.

Market makers shall be exempted from charges of order fee when engaged in market making.

14. What are the rates of order fees and how the fee would be charged?

- A** The order fee shall be deducted from the member's Clearing Deposit when settling on the then-current day.

The order fee shall be charged on a daily basis. The charging rate is as follows:

Order fee = ordered volume on RBD palm olein futures by Non-Futures Company Members or clients on the then-current day × charging rate on the then-current day

Message quantity = number of order placed + number of order cancelled

OTR (Order to Trade Ratio) = ordered volume / traded volume - 1

Charging rate on the then-current day

Order to Trade Ratio (OTR) Message quantity	OTR ≤ 1	OTR > 1
Message quantity ≤ 1,000	0	0
1,000 < Message quantity ≤ 1,500	0	RMB 0.01 per lot
Message quantity > 1,500	RMB 0.01 per lot	RMB 0.02 per lot

15. Is it consistent with international practices to charge orders fees? Do other exchanges collect orders fees as well?

- A** It is already an internationally-accepted practice to charge order fees for order placement and order cancellation, and world-renowned derivatives exchanges including CME, ICE and Eurex had already done this before. By applying leading practices within the industry, DCE believed that this would help prevent potential operation risks, optimize market structure and ensure stable operation of the market.

For more information about DCE RBD palm olein futures internationalization, please do not hesitate to contact your local brokers.