

## Disclaimer:

This document is prepared by DCE for the sole purpose of providing general information about the futures market in China.

This document is confidential and may not be distributed, published or reproduced in whole or in part, nor should its contents be disclosed by recipients to any other person. Certain of the information contained in this document has been obtained from published sources prepared by other parties. Whilst sources are believed to be reliable, neither DCE nor any other person accepts responsibility for the accuracy or completeness of such information. No representation or warranty, express or implied is given in connection with any information given in this document and no responsibility is accepted by DCE, its associates or any of their directors, officers, employees or agents, in respect thereof. The delivery of this document does not imply that the information herein is correct.

All statements of opinion and/or belief contained in this document and all views expressed and all projections, forecasts or statements relating to expectations regarding

future events or the possible future performance of DCE represent its own assessment and interpretation of information available to it as at the date of this document. No representation is made or assurance given that such statements, views, projections or forecasts are correct or that the objectives of DCE will be achieved.

The information, opinions and projections contained in this document are strictly private and confidential and accordingly the contents of this document and any other information or opinions subsequently supplied or given in connection with the seminar constitute confidential information and may not be published, reproduced, copied or disclosed to any person other than the professional advisers to the recipient of this document having a need to know and who are aware that it is confidential, nor used for any purpose other than in connection with the seminar. The recipient will keep this document and all information subsequently supplied or given to it or its agents and advisers safe and secure so as to prevent any unauthorized person having access to it.

# RBD Palm Olein Options Frequently Asked Questions

June

2021

[www.dce.com.cn](http://www.dce.com.cn)

Address: No.129 Huizhan Road, Dalian 116023, China  
Tel: (86) 411-8480 8888 Fax: (86) 411-8480 8588

©Dalian Commodity Exchange. All rights reserved



**1.How does an overseas investor participate in DCE RBD palm olein options trading?**

Overseas investors who participate in the options trading of DCE for the first time shall submit an application for opening accounts and meet the investor suitability requirements (the investor suitability requirements for participating in palm oil options are consistent with the requirements for the suitability of other specified domestic products); overseas investors who have already participated in futures trading at the DCE can directly participate in palm oil options trading.

**2.What are the routes for an overseas investor to open account with DCE?**

DCE provides direct access to overseas investors where overseas futures brokers and proprietary traders could apply for Overseas Special Participants. Besides, overseas investors could also open accounts either through DCE futures company members directly or through sub-delegation channel where they have access to DCE futures company members via registered overseas brokers.

**3.What is the underlying of RBD palm olein options?**

The underlying of the RBD palm olein options contract is the RBD palm olein futures contract. Compared with spot, commodity futures are highly standardized, and the price is open, transparent and continuous, which is more suitable as the underlying of options.

**4.What is the trading unit of RBD palm olein options?**

The options trading unit is the number of the underlying futures contract corresponding to 1 lot options, and 1 lot RBD palm olein options corresponds to 1 lot (10MT) RBD palm olein futures contract.

**5.How are RBD palm olein options quoted and settled?**

The RBD palm olein options are quoted and settled with RMB in the same unit as the underlying futures contract.

**6.What types of assets can be used as margins?**

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

**7.What contract months does a RBD palm olein option have?**

The contract months of RBD palm olein options consist of 12 consecutive months: January, February, March, April, May, June, July, August, September, October, November, December, which are consistent with the contract months of underlying futures.

**8.What is daily price limit range of RBD palm olein option?**

The daily price limit range refers to the maximum amount that options price can rise or fall on a trading day. The price limit range of RBD palm olein options contract is consistent with that of the underlying futures contract. When the options price is less than the lower limit, the lower limit shall be the minimum tick size of the options contract.

**9.What type of exercise style does RBD palm olein options adopt?**

RBD palm olein options contracts are of American-style exercise, allowing the buyer to exercise options on any trading day prior to expiration. The American-style option is more flexible and convenient, by reducing the impact of concentrated exercise on the underlying market.

**10.What is the last trading day and expiration date for RBD palm olein options?**

The last trading day refers to the last trading day on which an options contract can be traded and the expiration date is the same as the last trading day. In order to ensure that the options buyer (seller) can exercise the options (performance) smoothly on the last trading day and there is sufficient time after the expiration date to close the futures position obtained by exercising

the options (performance), the last trading day of RBD palm olein options contract is designed to be the 5th trading day of the month immediately preceding the delivery month of the underlying futures contract, which is around 20 trading days earlier than the last trading day of RBD palm olein futures contract.

### **11. Will overseas investors' RBD palm olein options trading be involved in the foreign currency exchange?**

By referring to the existing foreign currency exchange mechanism of specified futures products, the premium balance and the commission of RBD palm olein options are included in the calculation range of overseas traders' available exchange quota. Members who act as settlement agents for overseas investors can calculate the net profit/loss of overseas traders accumulatively within the longest period of one month to generate the amount of convertible currency exchange quota. Meanwhile, overseas investors are allowed to submit their own application for purchasing foreign exchange within the scope of the convertible quota.

### **12. How to collect the margins of RBD palm olein options?**

DCE only collects margins from option sellers according to the following standard: the settlement price of the option contract \* the trading unit of the underlying futures contract + MAX [margins for the trading of the underlying futures contract — half of the out-of-the-money options and half of the trading margins for the underlying futures contract]. For details, please refer to the Measures for Management of Options Trading of Dalian Commodity Exchange on DCE's official website. At the same time, DCE has provided margin discount for multiple option-related portfolios. On the basis of ensuring a smooth market operation at the initial stage of listing, DCE will introduce the portfolio margin discounts for RBD palm olein options in a timely manner and step by step to improve the efficiency of fund use and to promote the functioning of the options market.

### **13. Would the exchange provide automatic exercise function for RBD palm olein options?**

Yes, the DCE's system provides the function of automatic exercise of in-the-money options (in-the-money and out-of-the-money are judged by the settlement price) to avoid the loss caused by the option buyers in case that they forget to submit the exercise application when the market is favorable on the expiration date.

The specific application methods and channels for overseas investors exercising the right should be advised with the broker agency.

### **14. What do "opening a position" and "closing a position" mean?**

"Opening a position" means that a client establishes a position in an account so that the client can buy calls or puts, or sell call or puts.

"Closing a position" means that a client buys or sells an option contract in opposition to the position held by the client in order to perform rights or obligations.

### **15. What orders can be used in RBD palm olein options trading?**

Clients can trade palm olein options by using limit orders and stop limit orders. Limit orders can be attached with the attributes of Fill and Kill and Fill or Kill.

### **16. What is the position limit for RBD palm olein options?**

RBD palm olein options and RBD palm olein futures have separate position limits. At the early stage of the listing, the position limit of RBD palm olein option is set at 10,000 lots. That is, the sum of the long call and the short put, and the sum of the long put and short call for a particular monthly option contract held by a non-futures company member or a client shall not exceed 10,000 lots respectively. When a non-futures company member or a client is engaged in hedging, arbitrage and market-making



business, their position limits shall be subject to the provisions set forth by DCE.

**17. Would DCE charge order fees for RBD palm olein options?**

NO. DCE would not charge order fees for RBD palm olein options.

**18. What are the rate of commission fee for RBD palm olein options?**

The commission fee for RBD palm olein options consists of trading commission fee and exercising (contract-fulfilling) fee. The exchange sets the trading commission fee at 0.5RMB/lot, and day trading and non-day trading share the same rate of commission fee. The exchange sets the exercising (contract-fulfilling) fee at 1.00RMB/lot. The rate of commission fee for clients shall be subject to the confirmation by a brokerage.

**19. What are the principle of matching for exercising RBD palm olein options?**

The matching process for exercising RBD palm olein options is done based on the principle of random selection, which embodies the fairness and a client's proportion of open positions, while taking into account the randomness and proportionality.

**20. Why is market order not provided for RBD palm olein options?**

The DCE does not offer market order for RBD olein options. As the market order provided by the DCE is placed as per price limit and the options have the same price limit as the futures, it may be far higher than premium. Furthermore, given that there are too many option contracts and some contracts have inadequate liquidity, if the market order is placed for the RBD palm olein options, it may result in a transaction price far higher than the expected price by a client and thus cause unnecessary loss for the client.