

# **Measures for the Administration of Registered Receipts and Transit Receipts of Zhengzhou Commodity Exchange**

## **Chapter 1 General Provisions**

**Article 1** These Measures are formulated in accordance with the Trading Rules of Zhengzhou Commodity Exchange (hereinafter “the Exchange”) for the purposes of regulating futures delivery activities and ensuring an organized administration of registered receipts and transit receipts.

**Article 2** The registration, circulation and cancellation of registered receipts and transit receipts of the Exchange shall comply with these Measures herein.

**Article 3** The Exchange, members, clients, overseas brokers, delivery warehouses (hereinafter “warehouses”), transit delivery warehouses (hereinafter “transit warehouses”), delivery factories (hereinafter “factories”) and designated inspection agencies shall comply with these Measures.

## **Chapter 2 Management of Registered Receipts and Transit Receipts**

**Article 4** A registered receipt shall refer to a document of title certifying that the owner owns the physical commodities for delivery or by which the owner could pick up the commodities, and such receipt is issued by a warehouse or a factory in accordance with the procedures prescribed by the Exchange after the registration application is approved by the Exchange.

Based on different applicants of registration, registered receipts can be classified into registered warehouse receipts (hereinafter “warehouse receipts”) and registered factory receipts (hereinafter “factory receipts”).

Based on different duty payment status of futures contracts’ underlying commodities, registered receipts can be classified into registered bonded receipts and registered duty-paid receipts.

**Article 5** A transit receipt shall refer to a document of title certifying that the owner owns the physical commodities for delivery or by which the owner could pick up the commodities, and such receipt is registered by a transit warehouse in accordance with the procedures prescribed by the Exchange after the transit warehouse’s registration application is approved by the Exchange.

After the commodities covered by a transit receipt are transported from a transit warehouse to a warehouse and are checked and accepted, the transit receipt can be converted into a registered receipt.

**Article 6** The Exchange shall process the registration, delivery, transfer, pledge and cancellation of registered receipts through its computer system.

In case that a member or a client uses a registered receipt or a transit receipt as security to get loans from a commercial bank or any other third parties, the member or client is required to go through the registration formalities of the pledge rights of registered receipts by the Exchange. Registered receipts and transit receipts without

registration of pledge rights shall not be binding on other members, clients or any other third parties.

A member or a client may pledge registered receipts and transit receipts in a commercial bank that has opened the registration and exercising channels of pledge rights, after which the member or client may, with the approval of the Exchange, open short positions which shall not exceed the quantity of positions covered by the pledged registered receipts and transit receipts. Such short positions shall not be liquidated and must enter into physical delivery except those approved by the Exchange for supervision needs.

Commercial banks having opened the registration and exercising channels of pledge rights with the approval of the Exchange may dispose of pledged receipts by transferring the receipts to others or opening corresponding short positions for delivery if a member or a client fails to repay the loans before the deadline; the circulation of value-added tax (hereinafter “VAT”) invoices shall be conducted according to the regulations prescribed in the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange.

**Article 7** A registered receipt or a transit receipt shall be registered after the procedures including the issuance of Load-in Intention, load-in checking and quality inspection are completed and the Exchange approves and handles the warehouse’s application for registration of registered receipt or transit receipt.

A registered factory receipt shall be generated after the Exchange approves and handles the factory’s application for registration of registered factory receipt.

Only the registered receipts and transit receipts registered on the Exchange shall be used for the futures-related activities.

**Article 8** Based on different natures of circulation, registered receipts shall be classified into common registered receipts and special registered receipts.

A warehouse or a factory shall be liable for the quality and quantity of commodities covered by registered receipts to the holder of the registered receipts. The rights and risks of the commodities shall be transferred accordingly once the registered receipts have been circulated.

**Article 9** A common registered receipt shall refer to the document of title granting its holder the right to pick up the covered commodities at any warehouse or factory stated on the receipt in accordance with the rules and procedures of the Exchange.

Common registered receipts are applicable to the products including common wheat, PTA, rapeseed oil, rapeseed meal, early long-grain nonglutinous paddy and late long-grain nonglutinous paddy. The registered duty-paid receipts and registered bonded receipts are not interchangeable.

A common registered receipt shall include the information on a member's code and name, a client's trading code, product name, quantity of registered receipts, frozen quantity of registered receipts and quantity of registered receipts pledged as margin.

**Article 10** A special registered receipt shall refer to the document of title granting its holder the right to pick up the covered commodities only at designated warehouses or factories stated on the receipt in accordance with relevant rules and procedures of the Exchange.

Special registered receipts are applicable to products including strong gluten wheat, cotton, rapeseed, thermal coal, medium to short-grain nonglutinous paddy, methanol, glass, white sugar, ferrosilicon, manganese silicon, cotton yarn and apple.

A special registered receipt shall include the information on member's code and name, client's trading code, product name, quantity of registered receipts, information on the warehouse or factory, inspection time, the serial number of registered receipts, frozen quantity of registered receipts and the quantity of registered receipts pledged as margin.

## **Chapter 3 Load-in Intention for Warehouse Receipts and Transit Receipts**

**Article 11** Before a non-futures brokerage member (hereinafter “non-FB member”) or a client delivers commodities into warehouse, the FB member shall fill in the Load-in Intention and inform the warehouses in paper or through other ways approved by the Exchange in advance.

In case that the quantity stated in Load-in Intention is large, the Exchange may require the owner to provide relevant supporting documents about the commodities. Under special circumstances, the Exchange may require the warehouses to approve the Load-in Intention for contracts that will expire in recent months in priority.

**Article 12** Within two (2) business days after receiving the Load-in Intention from a member, a warehouse shall confirm to the member the quantity of commodities able to be loaded in in paper or through other ways approved by the Exchange. Within two (2) business days after receiving the approval for load in from the warehouse, the member shall pay a load-in deposit of CNY 30 per metric ton to the warehouse. On the day (business day) of receiving the deposit, the warehouse shall issue the Load-in Notice.

For the delivery of commodities that have already been stored in the warehouse, the Load-in Intention is still required but the load-in deposit can be exempted.

The Load-in Notice shall be effective from the issuance day.

**Article 13** The validity period of the Load-in Notice (calendar day) shall be as follows:

I. forty (40) days for common wheat delivered by means of warehouse receipts (hereinafter “common wheat delivered by warehouse receipts”), high quality strong gluten wheat (hereinafter “strong gluten wheat”), rapeseed, rapeseed oil, rapeseed meal, early long-grain nonglutinous paddy, late long-grain nonglutinous paddy, medium to short-grain nonglutinous paddy, methanol, ferrosilicon, manganese silicon and cotton yarn.

II. forty (40) days for notices issued by the warehouses of cotton No. 1 and fifteen (15) days for those issued by the transit warehouses of cotton No.1.

III. fifteen (15) days (calendar day) for the notices issued by the warehouses of white sugar in main producing areas (Guangdong, Guangxi and Yunnan) approved by the Exchange from November 1st of a year to April 30th of the next year; forty (40) days for the notices issued by the white sugar warehouses in other regions in the rest of time.

IV. fifteen (15) days for purified terephthalic acid (hereinafter “PTA”) and apple.

The Exchange may adjust the validity period of the Load-in Notice according to different conditions.

**Article 14** In case that the load in has been completed within the validity period of the Load-in Notice, the deposit of load in shall be refunded within two (2) business days after the completion of the load in; in case that only a certain quantity of commodities has been loaded in, the deposit shall be refunded based on the actual load-in quantity; the deposit for the quantity that have not been loaded in shall not be refunded.

**Article 15** In case that the Exchange announced that it is to suspend the commodities from being loaded in, the Load-in Intention issued to a warehouse after the market close of the announcement day (including the day) shall be deemed as invalid, and the Exchange shall not accept any registration application for the warehouse receipts of such commodities.

**Article 16** The owners of commodities shall pay all relevant fees to the warehouses in accordance with relevant regulations of the Exchange.

**Article 17** Before the consignment of commodities, the owners who have completed the procedures of issuing Load-in Intention shall notify the warehouses of the transportation means, truck (ship) number, commodity quantity and arrival time.

## **Chapter 4 Load in of Commodities Covered by Warehouse Receipts and Transit Receipts**

**Article 18** During the load in of commodities rendered for delivery, the warehouses or designated quality inspection agencies shall check the weight, packaging and relevant documents of the commodities and shall sample the commodities according to the regulations of these Measures. The owners shall supervise the checking and sampling process at the scene, and the checking result shall be acknowledged by the warehouses and the owners of the commodities. The warehouses and the owners shall confirm the checking results by signing and affixing stamps and shall be responsible for the authenticity of the commodities having been loaded in. Commodities that are not confirmed by the warehouses and the owners shall not be used for futures delivery.

The sampling of cotton shall be carried out by quality inspection agencies and the warehouses shall offer assistance and cooperation during the process. The warehouses and owners of the cotton shall have the right to supervise the sampling process.

**Article 19** If the qualities of commodities are inspected by inspection agencies, the warehouses shall confirm the inspection results and notify the clients within one (1) business day after receiving the results.

**Article 20** After the commodities that are exempted from inspection with the approval of the Exchange and those delivered by means of special registered receipts are loaded in, the warehouses shall register and file relevant information such as the names of owners, contact persons and contact information, quantity of commodities, manufacturers, storehouses and stacks. All information shall be confirmed by the owners of the commodities with signatures.

**Article 21** After completing the inspections for warehoused commodities, the organizations which conduct the inspections shall upload the inspection reports to the Exchange's E-receipt System via digital authentication. In case that the commodities are inspected by quality inspection agencies, such agencies shall send the inspection reports to the warehouses timely or notify the warehouses to take the reports. In case that the reports are urgently needed by the owners or the warehouses, the quality inspection agencies may release the inspection results in advance.

### **Section 1 Load in of Wheat**

**Article 22** The weight of common wheat delivered by warehouse receipts and strong gluten wheat shall be measured by truck scale. Strong gluten wheat shall be stored separately by product type and shall not be mixed.

**Article 23** The inspections of strong gluten wheat shall be organized and carried out by the Exchange. Indicators of falling number, stability time, tensile length and wet gluten of strong gluten wheat shall be inspected by quality inspection agencies; other quality indicators shall be inspected by either the delivery warehouses or quality inspection agencies.



The load-in inspections on the quality of common wheat shall be organized and implemented by the delivery warehouses. Samples for load-in inspections shall be collected before unloading. In case that the inspection results of the sampled common wheat cannot satisfy the delivery quality standards, the common wheat shall not be allowed to be registered. In case that a portion of common wheat fails to satisfy the delivery quality standards during load in, then such portion shall not be registered.

For the inspections on the quality indicators of strong gluten wheat that need to be conducted by the inspection agencies, the samples shall be taken by the delivery warehouses and the employees of the Exchange and clients shall be present to supervise over the sampling process. If the clients are not present, it shall be deemed that they agree with the sampling process. After sampling, the Exchange shall seal the samples and mail (send) them to the quality inspection agencies.

The inspection results issued by the quality inspection agencies shall be the final results for the load-in inspections of strong gluten wheat, and re-inspections shall not be allowed.

The inspection time for the samples of strong gluten wheat shall be announced by the Exchange.

## **Section 2 Load in of Cotton**

**Article 24** Since the starting of every new crop year (September 1st of every year), the Exchange shall begin to accept applications for checking of No.1 cotton of a new year.

**Article 25** The warehouses shall accept the load in of cotton in accordance with the information represented in the Load-in Notice, certificate of inspection and the weight note.

**Article 26** The inspections on the weight and quality of cotton shall adopt the notary inspection system and shall be carried out in accordance with the national standards of cotton (GB1103-2007) and the Measures for the Implementation of Notary Inspection on Delivery of Cotton Futures (for interim implementation).

**Article 27** Cotton to be loaded in shall be in the Type I Cotton Bag (227±10 kilograms) as stipulated in the National Standard of the People's Republic of China (hereinafter "the PRC") for Cotton Packing (GB6975-2007) and shall be attached with the certificate of inspection and the original weight note.

**Article 28** In case that any of the following situations occurs during the load in of No.1 cotton or before the registration of warehouse receipts, the delivery warehouses shall refuse to store the commodities as deliverable commodities and timely notify the members or owners of these commodities:

I. there are fakes and adulteration;

II. the cotton fails to satisfy the requirements of sample checking prescribed in GB1103.1-2012;

III. cotton bags suffered from serious pollution and wet stains, are burned or mildewed, have strange odour or are incompletely packed;

IV. cotton are not inspected, or the marks on the cotton bags fail to satisfy the requirements of national standards;

V. the breakage rate of bags is more than 5%;

VI. cotton are not produced in the newest crop year;

VII. the moisture regain of a single bag is more than 10%; the moisture regain of a single bag in a batch of cotton with plastic packing material is more than 9%, or the average moisture regain per batch is more than 8.5%;

VIII. cotton are found with the following characteristics during inspection: the color grade is 51, 32, 13, 23, 33, 14 or 24, the length of fiber is less than 27mm, the length uniformity is in the U5 grade, the micronaire value is in grade C1 of level C and the breaking tenacity is in S5;

IX. other situations that fail to satisfy the delivery requirements.

**Article 29** In case that the holders of transit receipts would like to turn the transit receipts into registered receipts, the holders shall be liable for the transportation of the commodities and assume the responsibility for any damage or loss that occurs during transportation.

**Article 30** When commodities covered by a transit receipt are transported into warehouses, if any of the following situations occurs before the transit receipt is changed into a registered receipt, the warehouses shall not store the commodities as commodities for delivery, and shall timely notify the members or the owners of the commodities:

I. cotton bags suffer from serious pollution and wet stains, are burned or mildewed, have strange odour or are incompletely packed;

II. the breakage rate of bags is more than 5%;

III. quality indicators of cotton fail to satisfy the requirements of the cancellation of receipts and load out of commodities;

IV. the color grade indicator of cotton reaches or exceeds 80% of the requirements prescribed for the cancellation of receipts and load out of commodities due to changes in natural conditions;

V. the transportation time from the day on which the commodities are loaded out of the transit warehouse to the day on which the commodities are loaded in the

warehouses exceeds 10 days by truck or 25 days by train, while situations caused by force majeure shall be exempted.

### **Section 3 Load in of White Sugar**

**Article 31** The packaging of white sugar shall be conducted in accordance with the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange.

**Article 32** Documents shall be provided in accordance with the following requirements for the load in of white sugar:

I. National Industrial Products Production License, Certificate of Quality, and Business License of Manufacturer (copy) shall be provided for domestic white sugar;

II. for imported white sugar, the following documents shall be provided: Declaration Form for Imported Commodities of the Customs of the PRC (copy) which allows the sale of the batch of white sugar within the territory of the PRC (way of trading is “general trade”); Sanitary License issued for the batch of commodities by local administration bureau for inspection and quarantine of imported and exported commodities; Certificate of Quality and Certificate of Origin issued by the manufacturer or exporter of the batch of commodities; the Warranty on Lawfulness, Authentication and Validity of Certificates for Imported White Granulated Sugar.

**Article 33** Weight inspection: the weight of white sugar shall be measured by truck scale and be spot-checked by weighing random bags at the same time or shall be spot-checked by weighing a single bag.

**Article 34** Quality inspection: one sample with a duplicate shall be taken from each stack and be mailed (sent) to the quality inspection agencies after being sealed. The owners of commodities may also appoint a third party approved by the National Administration of Quality and Technology Inspection to take samples, and the

warehouses shall cooperate with and supervise the sampling, and relevant fees (excluding the fee for the cooperation of warehouses) shall be paid by the owners.

**Article 35** After receiving the samples for each batch of white sugar, the quality inspection agencies shall issue the inspection results and notify warehouses within five (5) business days.

#### **Section 4 Load in of PTA**

**Article 36** The warehouses shall not load in the domestic PTA which has been produced for more than ninety (90) days or the imported PTA which has been consigned for more than sixty (60) days.

If the owners of domestic PTA would like to apply for the registration of duty-paid receipts for their commodities, they shall submit to the warehouses the Certificate of Quality issued by the manufacturers certifying that the quality of the batches has met with the delivery standards when load in. Information of manufacturer, manufacturing date, applicable quality standards and inspection results of the batches shall be stated on the Certificate of Quality.

If the owners of imported PTA would like to apply for the registration of duty-paid receipts for their commodities, they shall submit to the warehouses the copies of shipping documents, the Declaration Form for Imported Commodities issued by the Customs of the PRC, Special Bill of Payment of Import Tariff issued by the Customs, Special Bill of Payment of Import VAT issued by the Customs and copies of Certificate of Quality and Certificate of Origin issued by the manufacturers when load in, and all the documents shall be affixed with the official stamps of the load-in applicants. The owners of commodities shall also sign the Warranty on Lawfulness, Authentication and Validity of Certificates for Imported PTA.

If the owners of PTA would like to apply for the registration of registered bonded receipts, they shall submit to the warehouses the copies of the Certificate of Quality

and Certificate of Origin issued by the manufacturers for the batches of commodities as well as the copies of other documents required by the Customs when load in. All documents shall be affixed with the official stamps of the load-in applicants.

The Load-in Intentions for the PTA produced by different manufacturers shall be issued separately.

**Article 37** Weight inspection: the net weight of each bag of PTA shall be 1 or 1.1 metric tons or other weight prescribed by the Exchange. The weight of PTA shall be measured by truck scale and be spot-checked by weighing random bags at the same time or shall be spot-checked by weighing a single bag.

**Article 38** One sample for each 550 metric tons of PTA shall be taken for quality inspection; the weight less than 550 metric tons shall be counted as 550 metric tons when sampling. Samples shall be taken in triplicate and two of them shall be mailed (sent) to the quality inspection agencies after being sealed by both parties. After receiving the samples for each batch, the quality inspection agencies shall issue the inspection results and notify the warehouse within five (5) business days.

If the manufacturers of the branded PTA which are exempted from inspection apply for the load in of the PTA directly, such PTA shall be directly loaded in without inspection. If the PTA owners could submit to the Exchange and the warehouses the guarantee of quality or other documents issued by the designated manufactories certifying that the quality of the commodities has met with the Exchange's requirements, then such PTA could also be loaded in without inspection.

### **Section 5 Load in of Rapeseed**

**Article 39** The weight of rapeseed shall be measured by truck scale in warehouses.

**Article 40** The load-in inspections of rapeseed shall be conducted by warehouses.

A warehouse may designate a quality inspection agency to conduct inspection on all or some of the commodities, and the inspection fees incurred shall be borne by the warehouses.

**Article 41** The rapeseed shall be stored by being stacked in the warehouses. The rapeseed belongs to different clients shall not be stored in a mixed way.

**Article 42** The samples for load-in inspection shall be taken by the warehouses before unloading. The rapeseed shall not be allowed to be registered if the inspection results fail to reach the deliverable standards.

Two duplicated samples shall be taken at one time; the weight of each sample shall be 1 kg. The warehouses may choose either one for inspection and the other sample shall be sealed and signed by both the owner of commodities and the warehouses and shall be kept by the warehouses.

**Article 43** In case that the rapeseed for load in fails to reach deliverable standards, the warehouse could provide service of sorting out with the approval of both parties.

**Article 44** The warehouses shall complete the inspection within twenty-four (24) hours after the sampling for each batch of commodities is completed and shall notify the owner of the inspection results in time.

### **Section 6 Load in of Rapeseed Oil**

**Article 45** The transportation of rapeseed oil shall be conducted according to the rules of the national sanitation standards.

**Article 46** Copies of Production License and Food Sanitation License with the stamp of the manufacturers and the laboratory test reports of the products shall be provided for the load in of rapeseed oil.

Information on product's name and origin (including country of origin), pressing or leaching data, executed quality standard, product grade, whether it is transgenic or not and the serial number of the product shall be stated on the laboratory test report.

**Article 47** If the rapeseed oil is transported by trucks, the weight of the rapeseed oil shall be measured by truck scale; if the rapeseed oil is transported by trains, then the rapeseed oil shall be weighed by measuring railroad tanks or oil tanks with oil dip rulers; if the rapeseed oil is transported by ships, then the weight of the rapeseed oil shall be measured by truck scale or the rapeseed oil shall be weighed by measuring oil tanks with rulers.

With the approval of the Exchange, the rapeseed oil to be loaded in may be weighed by other advanced weighing apparatus admitted by the National Administration of Quality and Technology Inspection.

**Article 48** Upon the arrival of rapeseed oil at warehouses, the samples for inspection shall be taken by the warehouses before unloading. Two duplicated samples shall be taken at one time; the weight of each sample shall not be less than 1 kg. The warehouses may choose either one for inspection and the other sample shall be sealed and signed by both the owners of commodities and the warehouses and shall be kept by the warehouses.

The warehouses shall conduct quality and adulteration inspections on the rapeseed oil to be loaded in. The warehouses may designate quality inspection agencies recognized by the National Administration of Quality and Technology Inspection to conduct inspections on all or some of the rapeseed oil, and the inspection fees incurred shall be borne by the warehouses.

The warehouses shall provide the inspection results and notify the owners within forty-eight (48) hours after the sampling for each batch is completed.



**Article 49** If the rapeseed oil to be loaded in has passed the inspection, the warehouses shall arrange oil tanks according to the rapeseed oil's arrival time and shall complete the load-in process within five (5) business days after the inspection report is issued.

Transgenic rapeseed oil and non-transgenic rapeseed oil shall be stored in separate oil tanks. In case that a client fails to state whether its rapeseed oil is transgenic or not in the Load-in Intention and leads to the mixture storage of transgenic rapeseed oil and non-transgenic rapeseed oil, the legal liabilities incurred shall be borne by the client. The subject of liabilities shall be determined based on the sample kept by the warehouses upon load in.

Oil tanks storing rapeseed oil shall satisfy the national sanitation standards.

**Article 50** The owners shall ensure that the rapeseed oil to be loaded in has met with national sanitation standards. If the rapeseed oil stored in a mixed way fails to satisfy the national sanitation standards, the subject of liabilities shall be determined based on the sample kept by warehouses upon load in.

**Article 51** In case that any of the following problems of rapeseed oil is found by the warehouses during load in or before the registration of warehouse receipts, the rapeseed oil shall be refused by the warehouses to be stored as deliverable commodities, and the warehouses shall timely notify the members or the owners:

- I. rapeseed oil adulteration;
- II. the transportation vehicles fail to satisfy the national regulations;
- III. rapeseed oil fails to satisfy other delivery standards prescribed by the Exchange.

## **Section 7 Load in of Rapeseed Meal**

**Article 52** The weight of rapeseed meal shall be measured by truck scale in the warehouses before load in.

**Article 53** The warehouses shall conduct quality inspection on the rapeseed meal to be loaded in. The rapeseed meal shall not be used for receipt registration if the inspection results fail to satisfy the deliverable quality standards. The portion failing to satisfy the deliverable standards in the process of load in shall not be used to register receipts.

**Article 54** Samples shall be taken in unit of stacks in principle. As for the same batch of commodities produced by the same factory, samples shall be taken per 200 metric tons or less in principle.

Two samples shall be taken at one time; the weight of each sample shall be 1 kg. Warehouses may choose either one for inspection and the other sample shall be sealed and signed by both the owners of commodities and the warehouses and shall be kept by the warehouses.

**Article 55** The warehouses shall complete the inspection within twenty-four (24) hours and notify the owners of inspection results after the sampling process for each batch is completed.

**Section 8 Load in of Early Long-Grain Nonglutinous Paddy, Late Long-Grain Nonglutinous Paddy and Medium to Short-Grain Nonglutinous Paddy**

**Article 56** The weight of early long-grain nonglutinous paddy, late long-grain nonglutinous paddy and medium-to-short grain nonglutinous paddy shall be measured by truck scale in the warehouses.

**Article 57** The warehouses shall be responsible for load-in inspection.

The warehouses may designate quality inspection agencies to conduct inspection on all or some of the commodities and the inspection fees incurred shall be borne by the warehouses.

**Article 58** Sanitary inspection shall be carried out in accordance with relevant rules and regulations. The inspection fees arising from this shall be borne by the owners of the commodities.

**Article 59** Samples for load-in inspection shall be taken by the warehouses before unloading. The commodities shall not be loaded in if inspection results fail to reach the deliverable standards.

**Article 60** If the commodities to be loaded in fail to reach the deliverable standards, the warehouses may provide services of sorting out with the approval of both parties.

**Article 61** The warehouses shall complete the inspection within twenty-four (24) hours after the sampling of each batch is completed and shall notify the owners of the inspection results.

### **Section 9 Load in of Methanol**

**Article 62** The transportation of methanol shall be conducted according to relevant regulations for the transportation of dangerous chemicals prescribed by the PRC.

**Article 63** The warehouses shall verify relevant certificates of the commodities to be loaded in and the owners' business qualifications of dangerous chemicals.

If the owners apply for the load in of methanol produced by manufacturers of the PRC, the Certificate of Product Quality issued by the manufacturers of the batch of methanol shall be submitted to the warehouses to certify that the commodities have met with the delivery standards. Information on manufacturers, date of production,

applicable quality standards and quality inspection results of the batch of methanol shall be stated on the Certificate of Product Quality.

If the owners apply for the load in of imported methanol, copies of the Shipping Certificate, Declaration Form of Imported Commodities, Certificate of Product Quality provided by the manufacturers and the original copy of Customs clearance papers shall be submitted to the warehouses. The owners of the methanol shall sign on the Warranty on Lawfulness, Authentication and Validity of Certificates of Imported Methanol for the documents provided by them.

**Article 64** Weight inspection: the weight of methanol transported by trucks shall be measured by truck scale, and the warehouses shall be responsible for weighing the methanol; for the methanol transported by trains or ships, the warehouses shall weigh the methanol by measuring the storage tanks with the help of dip rulers. The owners may designate quality inspection agencies or the warehouses to weigh the methanol to be loaded in. If the methanol is weighed by quality inspection agencies, the warehouses shall be cooperative and the expenses incurred shall be borne by the owners.

The methanol may be weighed by other advanced weighing apparatus admitted by the National Administration of Quality and Technology Inspection with the approval of the Exchange.

**Article 65** Quality inspection: sampling and quality inspection of methanol shall be taken and conducted by the quality inspection agencies, and the warehouses shall provide assistance. Any cost and expense (excluding the expense incurred from the cooperation of the warehouses) arising from this shall be borne by the owners.

For the methanol that has already been loaded in, if the owners could provide the inspection reports issued by the quality inspection agencies to certify that the

commodities have met with the delivery standards, the owners may apply for the receipt registration with the approval of the warehouses.

Where the methanol covered by futures contracts are stored in a mixed way with the physical methanol in the same tank, the warehouses shall ensure that the entire tanks of methanol can meet with the futures delivery standards. The methanol failing to satisfy the standards shall not be mixed with that covered by futures contracts or be used for the receipt registration.

**Article 66** The quality inspection agencies shall issue the inspection results and notify the warehouses within three (3) business days after the sampling is completed.

### **Section 10 Load in of Ferrosilicon**

**Article 67** The owners of the ferrosilicon to be loaded in shall submit the Certificate of Product Quality provided by the manufacturers of the batch of ferrosilicon to the warehouses. Information on the manufacturers, date of production, applicable quality standards and the quality inspection results of the batch of ferrosilicon shall be stated on the Certificate of Product Quality.

The ferrosilicon to be loaded in shall be packed with dry, durable and storable materials.

The ferrosilicon having been produced for more than ninety (90) days shall not be loaded in.

Powdering ferrosilicon shall not be loaded in.

**Article 68** Weight inspection: the weight of ferrosilicon shall be measured by truck scale in the warehouses.

**Article 69** Quality inspection: the sampling process, quality inspection and granularity inspection shall be conducted by the quality inspection agencies in

accordance with the national standards and the warehouses shall provide assistance. The inspection fees charged by the inspection agencies and the assistance fees charged by the warehouses shall be borne by the owners.

**Article 70** The quality inspection agencies shall issue the inspection results and notify the warehouses within seven (7) business days after the sampling is completed.

**Article 71** If the packaging of ferrosilicon is damaged in the process of sampling, the warehouses shall repack the ferrosilicon in accordance with the national standards, and the repacking materials shall be provided by the clients and the costs incurred shall be borne by the clients.

### **Section 11 Load in of Manganese Silicon**

**Article 72** The owners of the manganese silicon to be loaded in shall submit the Certificate of Product Quality provided by the manufacturers of the batch of manganese silicon. Information on the manufacturers, date of production, applicable quality standards and the quality inspection results of the batch of manganese silicon shall be stated on the Certificate of Product Quality.

The manganese silicon to be loaded in shall be packed with durable and storable materials.

The manganese silicon having been produced for more than ninety (90) days shall not be loaded in.

**Article 73** The weight of the manganese silicon to be loaded in shall be measured by truck scale in the warehouses.

**Article 74** Quality inspection: the sampling, sample inspection and granularity inspection shall be conducted by the quality inspection agencies in accordance with the national standards. The warehouses shall provide assistance. The inspection fees

and the expenses arising from the assistance of the warehouses shall be borne by the owners.

**Article 75** The quality inspection agencies shall issue the inspection results and notify the warehouses within seven (7) business days after the sampling is completed.

**Article 76** In case that the packaging of manganese silicon is damaged in the process of sampling, the warehouses shall repack the manganese silicon in accordance with the national standards. The repacking materials shall be provided by the clients and the repacking costs shall be borne by the clients.

### **Section 12 Load in of Cotton Yarn**

**Article 77** If the cotton yarn to be loaded in is produced by domestic producers, then the owners shall submit the Inspection Certificate issued by the manufacturers of the batch of cotton yarn to the warehouses. Information on the names of the manufacturers, date of production, brands and grades, net weights, applicable quality standards and the inspection results of the batch of cotton yarn shall be stated on the Inspection Certificate.

**Article 78** If the cotton yarn to be loaded in are produced by foreign producers, then the owners shall submit the Declaration Form for Imported Commodities of the Customs of the PRC, Certificate of Quality and Certificate of Origin issued by the manufacturers or the exporters of the batch of commodities and the Warranty on Lawfulness, Authentication and Validity of Certificates for Imported Cotton Yarn.

**Article 79** Quantity inspection: the warehouses shall check the quantity of cotton yarn to be loaded in.

**Article 80** Quality inspection: the sampling and quality inspection of the cotton yarn to be loaded in shall be conducted by the quality inspection agencies in accordance

with the national standards. The warehouses shall provide assistance. The inspection fees shall be borne by the owners.

**Article 81** The quality inspection agencies shall issue the inspection results and notify the warehouses within ten (10) business days after the completion of sampling.

**Article 82** In case that any one of following situations occurs during the load in of cotton yarn or before the registration of the warehouse receipts, the delivery warehouses shall refuse to store the cotton yarn as deliverable commodities and timely notify members or the owners:

I. the manufacturer information and the batch number of the same unit of cotton yarn rendered for delivery are not the same;

II. the actual moisture regain of a single bag is more than 9%;

III. the cotton yarn rendered for delivery has been produced for more than three (3) months;

IV. packaging fails to satisfy the delivery standards, or bags suffer from serious pollution and wet stains or are burned and mildewed.

### **Section 13 Load in of Apple**

**Article 83** Apples to be loaded in shall be packed in plastic or wooden (iron) baskets.

**Article 84** Weight inspection: apples to be loaded in shall be spot-checked by weighing random baskets (boxes).

**Article 85** Quality inspection: the quality inspection shall be conducted by the warehouses. The warehouses may designate quality inspection agencies to conduct inspection on all or some of the apples for delivery. The inspection fees shall be borne



by the warehouses. If the inspection results satisfy any of the following requirements, the owners may apply for the receipt registration.

I. apples to be loaded in shall satisfy the delivery standards;

II. in case that the deliverable apples are not fully sorted out while the proportion of deliverable apples is not lower than the discount rate announced by the Exchange, the owners may apply for the receipt registration according to the following calculation method. The quantity of apples to be loaded in = the quantity of apples covered by the warehouse receipts  $\times$  delivery unit / discount rate required by the Exchange. The quantity of apples covered by the warehouse receipts shall be an integer. The discount rate shall be announced separately by the Exchange. In terms of the apples covered by the receipts to be registered in a discounted way, they shall only be registered to the grade with quality tolerance of no greater than 10%.

Apples covered by the warehouse receipts registered in different methods shall be stored separately.

The registrants of the receipts registered in a discounted way shall not dispose of the apples in excess of the quantity covered by the warehouse receipts before the corresponding warehouse receipts are cancelled. The storage fees for the apples exceeding the quantity covered by the warehouse receipts shall be cleared by the warehouses and the owners through negotiation.

**Article 86** The warehouses shall issue the inspection results and notify the owners within twenty-four (24) hours after sampling.

## **Chapter 5 Receipt Registration**

## **Section 1 Registration of Warehouse Receipts**

**Article 87** The warehouses or transit warehouses shall confirm the inspection results and notify the owners within one (1) business day after the inspection results are issued or after receiving the inspection results from the quality inspection agencies. The warehouses or transit warehouses shall, if the owner has no objection to the inspection results, submit the registration application of registered receipts or transit receipts for the up-to-standard commodities to the Exchange within two (2) business days after the owners received notifications of the inspection results.

The warehouses shall submit the application to the Exchange for turning the transit receipts into registered receipts within two (2) business days after the commodities have been transported from the transit warehouses to the warehouses if the warehouses confirm the quality inspections.

It shall not be allowed to apply for the receipt registration for grade 2 white sugar before August 1st of every year.

**Article 88** The Exchange may approve the registration applications within seven (7) business days after the warehouses submit the applications for registered receipts registration.

**Article 89** The Exchange shall not accept any registration application for the warehouse receipts used for current month delivery after 3 p.m. (including 3 p.m.) of the last trading day (the 5th trading day for strong gluten wheat, white sugar and rapeseed oil) of the delivery month. The receipts registered after 3 p.m. of the day may participate in the delivery of the following months.

According to the Exchange's regulations, the owners of commodities that can be exempted from quality inspections and used for futures delivery shall apply for receipt registration no later than the day preceding the last trading day.

**Article 90** If the registered receipts of rapeseed meal are registered after the 12th trading day (including the day) in March, July and November, then the production date of the rapeseed meal covered by the receipts shall be after the first day (including the day) of March, July and November respectively. The rapeseed meal consistent with these regulations may be used for re-registration after the cancellation of registered receipts.

## **Section 2 Registration of Factory Receipts**

**Article 91** After the non-FB members or clients clear relevant expenses with the factories, the factories shall submit the registration applications of factory receipts through the Exchange's E-receipt system. The manufacturers of thermal coal shall provide information on net calorific value (as received basis) of the coal for the registration of factory receipts, and the information shall be used by the Exchange as the basis for registration standards and the reference for the calculation of payments for the thermal coal.

**Article 92** Bank guarantee letter, cash or other payment guarantees recognized by the Exchange shall be provided when the factories submit the application for factory receipts registration.

The amount of guaranty fund paid by the factories shall be calculated based on the settlement price of the previous trading day for the nearby contract.

**Article 93** The factories shall submit the applications for the registration of factory receipts no later than 3 p.m. of the 3rd trading day preceding the last trading day. If the payment guarantees submitted by the factories are consistent with the regulations, the Exchange shall approve the registration within three (3) business days after the factories submit the registration applications.

**Article 94** The maximum quantity of receipts allowed to be registered by each factory shall be determined and adjusted by the Exchange.

**Article 95** In case that there are great fluctuations in the market value of a commodity, the Exchange may require the factories to adjust the amount of money stated on the bank guarantee letter or other payment guarantees recognized by the Exchange for the commodity according to the market situation.

## **Chapter 6 Expiry Dates of Registered Receipts and Transit Receipts**

**Article 96** The expiry dates of registered receipts and transit receipts for the Exchange listed products shall be as follows:

Common wheat, strong gluten wheat: the last business day of September in each year.

No.1 cotton: the registered receipts and transit receipts of the cotton produced in year N shall be cancelled on the last business day of March in year N+2.

White sugar: the registered receipts of white sugar produced in crop year N (from October 1st of a year to September 30th of the next year) shall be cancelled on the last business day (including the day) of the first November after crop year N.

Rapeseed: the rapeseed registered receipts shall be registered starting from June 1st in year N, and the receipts shall be valid until the last business day of November in year N (including the day).

Rapeseed meal: the receipts registered before the 12th trading day (excluding the day) of March, July and November of each year shall be cancelled before the 15th trading day (including the day) of the same month (i.e. March, July and November).

Rapeseed oil: the receipts registered on or after June 1st in year N shall be cancelled on the last business day (including the day) of May in year N+1.

PTA: the receipts registered before the 12th trading day (excluding the day) of each September shall be cancelled before the 15th trading day (including the day) of the same month; new applications for the registration of registered receipts shall be accepted starting from the 16th trading day (including the day) of the same month.

Early long-grain nonglutinous paddy: the receipts registered on or after August 1st in year N shall be cancelled on the last business day (including the day) of July in year N+1.

Late long-grain nonglutinous paddy and medium to short-grain nonglutinous paddy: the receipts registered on or after October 1st in year N shall be cancelled on the last business day (including the day) of September in year N+1.

Methanol: the receipts registered before the 12th trading day (excluding the day) of May and November of each year shall be cancelled before the 15th trading day (including the day) of the same month (i.e. May and November).

Flat Glass: the receipts registered before the 12th trading day (excluding the day) of January, March, May, July, September and November of each year shall be cancelled before the 15th trading day (including the day) of the same month (i.e. January, March, May, July, September and November).

Thermal coal: the receipts registered before the 7th trading day (excluding the day) of May and November of each year shall be cancelled before the 10th trading day (including the day) of the same month (i.e. May and November).

Ferrosilicon: the receipts registered before the 12th trading day (excluding the day) of February, June and October of each year shall be cancelled before the 10th trading day (including the day) of the same month (i.e. February, June and October).

Manganese silicon: the receipts registered before the 12th trading day (excluding the day) of October of each year shall be cancelled before the 15th trading day (including the day) of the same month.

Cotton yarn: the receipts registered before the 12th trading day (excluding the day) of February, June and October of each year shall be cancelled before the 15th trading day (including the day) of the same month (i.e. February, June and October). If the cotton yarn covered by the cancelled receipts has yet been loaded out from the warehouses and the production dates of which are consistent with relevant registration standards, then the owners of such cotton yarn may apply for re-registration of receipts without quality inspection.

Apple: the receipts registered before the 12th trading day of May (excluding the day) of each year shall be cancelled before the 15th trading day (including the day) of the same month. No application for the registration of registered receipts shall be accepted between the 12th trading day (including the day) of May and the last trading day (including the day) of September in each year. The receipts registered before the 12th trading day (excluding the day) of January, May and July of each year shall be cancelled before the 15th trading day (including the day) of the same month (i.e. January, May and July). No application for the registration of factory receipts shall be accepted between the 12th trading day (including the day) of July and the last trading day (including the day) of September in each year.

**Article 97** In case that the cancellation procedures of registered receipts are not completed before the expiry date, the Exchange may proceed the cancellation on the expiry date. All losses incurred shall be borne by the holders of registered receipts, and the Exchange shall not guarantee that the quality of delivered commodities complies with stipulated standards.

## **Chapter 7 Circulation of Registered Receipts and Transit Receipts**

**Article 98** The circulation of registered receipts and transit receipts shall refer to the delivery and transfer of registered receipts.

Registered receipts that are frozen or pledged as margins shall not be circulated.

The circulation of a client's receipts shall be conducted by and in the name of a member on the Exchange. The circulation results shall be borne by the client.

**Article 99** The delivery of registered receipts shall be conducted in accordance with the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange and the Detailed Rules for the Implementation of Bonded Delivery of Zhengzhou Commodity Exchange.

**Article 100** The transfer of registered receipts shall refer to the buying and selling of registered receipts between members through negotiation. The Exchange shall accept and process the transfer of registered receipts before 2:30 p.m. of each business day. The Exchange shall not accept nor process any transfer of the registered receipts for common wheat and any other products which shall be delivered by means of special registered receipts on the last trading day.

**Article 101** The transfer of registered receipts shall be conducted in accordance with the following rules:

I. the transfer of a client's registered receipts shall be conducted by a member;

II. the member with the intention of buying and the member with the intention of selling shall submit the applications for the transfer of registered receipts to the Exchange;

III. the Exchange shall verify the transfer applications of registered receipts, process the transfer of ownership and remit payment;

IV. the remittance of payment and the issuance and transfer of VAT invoices shall be carried out in accordance with the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange;

V. the service fees for the transfer of registered receipts shall be stipulated and announced by the Exchange;

VI. the transfer of registered bonded receipts of PTA shall be carried out in accordance with the Detailed Rules for the Implementation of Bonded Delivery of Zhengzhou Commodity Exchange.

## **Chapter 8 Cancellation of Registered receipts and Transit Receipts**

**Article 102** The cancellation of registered receipts and transit receipts shall refer to the procedure of applying to the Exchange for the pick up of commodities by the holders of receipt or members.



The applications for the cancellation of receipts shall be submitted to the Exchange through members.

If the PTA covered by cancelled registered receipts has not been loaded out from the warehouses and is consistent with the load-in standards, then the owners of the PTA may apply for the re-registration of registered receipts.

The cancellation of registered bonded receipts shall be carried out in accordance with these Measures and the Detailed Rules for the Implementation of Bonded Delivery of Zhengzhou Commodity Exchange.

**Article 103** For the cancellation of thermal coal registered receipts, the pick-up persons shall communicate with the factories about the quality and the weight of the commodities at least twenty (20) calendar days before the pick-up date. If the two parties could reach an agreement on the quality and the weight of thermal coal, then the thermal coal could be picked up and the premium or discount (if any) shall be cleared by both parties after negotiation. If the two parties cannot reach an agreement, then the pick-up persons may pick up the thermal coal according to the information provided by the factories for the registration of registered receipts, and the premium or discount (if any) shall be cleared by the Exchange after the commodities have been consigned.

In case that the pick-up persons of thermal coal and the factories cannot reach an agreement on the quality and the weight of the thermal coal to be picked up, the quality and weight of the thermal coal to be picked up at designated ports shall be determined according to relevant provisions on board delivery in the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange, and the settlement price for such thermal coal shall be calculated based on the settlement price of the nearby contract.

After the pick-up persons of thermal coal and the factories confirm the pick-up matters and submit the pick-up applications to the Exchange, the Delivery Department of the Exchange shall issue the Pick-up Notices.

In case that the buyers and sellers of the thermal coal decide to take and make delivery at the place other than that designated by the Exchange, then relevant matters shall be processed as agreed by both parties.

Where the registered receipts of the commodities other than thermal coal are cancelled, the Clearing Department of the Exchange shall clear the premiums and discounts for such receipts, and the Delivery Department of the Exchange shall issue the Pick-up Notices.

Before a client proceeds with the picking up of commodities, the members or the client shall set a verification password for the Pick-up Notice and such password shall be an essential requirement for the picking up of commodities.

**Article 104** In case that the commodities covered by common registered receipts need to be picked up, the Exchange shall confirm the commodities covered by the Pick-up Notice in accordance with the member's application and the specific circumstances of the warehouses or factories.

**Article 105** Within ten (10) business days after the Exchange issues the Pick-up Notice (twenty (20) business days for ferrosilicon and manganese silicon to be delivered by factory receipts), the holder of the Pick-up Notice shall provide the verification password for the Pick-up Notice, his ID card and the certificate provided by the unit he works for to the warehouses or factories within ten (10) business days after the Exchange issues the Pick-up Notice (twenty (20) business days for ferrosilicon and manganese silicon to be delivered by factory receipts) to process the formalities of picking up of commodities, verify the quality of commodity, determine transportation means and pre-pay various fees.

The holder of the Pick-up Notice of glass may choose the thickness of glass in the range between benchmark products for delivery and substitutes, and the factory shall satisfy the holder's requirements. In case that the thickness, specifications and grades of the glass chosen by the pick-up person are not within the range between the benchmark products for delivery and substitutes, then both parties shall clear such delivery at their own discretion through negotiation.

The holder of the Pick-up Notice of cotton yarn may, according to the announcement published by cotton yarn factory, choose the cotton yarn with certain specifications and grades. Where the cotton yarn chosen by the holder is within the premiums and discounts range specified by the Exchange, and factory shall satisfy the holder's requirements. Clearing for the cotton yarn beyond the range of premiums and discounts specified by the Exchange shall be conducted by both parties at their own discretion based on negotiation.

If the holder of Pick-up Notice applies for quality re-inspection of commodities to the Exchange during the pick-up period, the pick-up period for such holders shall be suspended since the day on which the Exchange receives the application. The pick-up period shall be resumed from the day on which the re-inspection result is issued to the holder.

In case that the holder did not complete the pick-up procedures within the pick-up period, the Pick-up Notice shall be treated as a pick-up notice for physical commodities, and the warehouses shall not guarantee that the quality of all the commodities is consistent with the delivery standards, and the factory shall not guarantee that the delivery speed of such commodities is consistent with the speed prescribed for the futures contract. The specific issues regarding the picking up of commodities shall be negotiated by the owner and the factory.

If the pick-up person of apples registered in a discounted way does not complete the pick-up procedures within a prescribed time limit, the warehouse receipt registrant

shall have the right to ask the warehouse to sort out the apples and dispose of the apples exceeding the quantity covered by the warehouse receipts, unless otherwise the pick-up person and the registrant have reached an agreement.

## **Chapter 9 Load out of Commodities from Warehouses and Transit Warehouses**

**Article 106** The weighing of commodities to be loaded out for futures delivery shall be jointly carried out by the owners and warehouses. Specific weighing method shall be consistent with the regulations on the load-in of commodities.

**Article 107** In case that the owners of commodities provide transportation vehicles, the warehouses shall begin the consignment and stop charging the storage fees for the commodities to be loaded out from the day on which the owners ask the warehouses to arrange the load out of the commodities with the Pick-up Notice and the transportation vehicles arrive at the warehouses; in case that the owners appoint the warehouses to process the transportation of commodities, the delivery warehouses shall complete the consignment of commodities within a stipulated time limit (ten (10) days for trucks and ships and twenty (20) days for trains) after the clients ask the warehouses to arrange the load out of commodities, designate the arrival location and prepay relevant fees (including the service fees for railway transportation and miscellaneous fees charged by the ports), and the warehouses failing to do so shall not charge the storage fees for the days after the prescribed consignment period.

If the load out and consignment of commodities are delayed due to the change of the load-out ways by the owners, incomplete pick-up procedures, unpaid fees or any other reasons, then the preceding paragraph shall not be binding.

### **Section 1 Load out of Wheat**

**Article 108** In case that the quantities of common wheat and strong gluten wheat to be loaded out suffer from losses, the delivery warehouses shall make up the losses. In case that the losses cannot be made up, the delivery warehouses shall calculate the value of the losses based on the highest settlement price of the nearby contract of common wheat and strong gluten wheat before the issuance date of the Pick-up Notice (including the issuance date) and make compensation for the buyers.

**Article 109** In case that there are any quality disputes between the clients and delivery warehouses during the load out of strong gluten wheat, then quality re-inspections shall be carried out in the same methods of load-in inspections by the designated quality inspection agencies or the agencies conducting the load-in inspections. In case that the grades determined by re-inspections are higher than (or equal to) those determined by initial inspections, or the results of re-inspections are within the range of allowable error (taking the initial inspection results as the benchmark, the absolute allowable error for wet gluten amount is  $-1.5\%$ , the relative allowable error for stability time is  $-15\%$ , the relative allowable error for tensile length is  $-10\%$ , and the relative allowable error for the falling number is  $-10\%$ ), the determination of the final grades shall be based on the results of load-in inspections, and the laboratory test fees and travel expenses incurred shall be borne by the party who raised up the dispute. If the results confirmed by re-inspections are beyond the allowable error range and are lower than the grades determined in initial inspections, then the determination of the final grades shall be based on the re-inspection results. And all expenses and liabilities incurred shall be borne by the delivery warehouses.

### **Section 2 Load out of Cotton**

**Article 110** The warehouses shall pass the Notary Inspection Certificate for the cotton to be loaded out to the owners. The owners may check the origin, packaging, batch number and pieces of the cotton bags before the consignment of every batch of cotton, and the checking results shall be acknowledged by both the owners and warehouses.

**Article 111** In case that the color grade of the commodities to be loaded out is lower than the grade when the registered receipts for the commodities are registered due to the changes in natural conditions, the warehouses may still proceed with the load out of these commodities and the clients shall not refuse to receive them.

In case that the Rd value of color grade drops but the value is still less than 3.9% or the +b value increases but the value is still less than 2.7 due to the changes in natural conditions, the losses shall be borne by the buying clients. When the changes in the color grade exceeded the above range, the price differences shall be calculated based on the standard of premiums and discounts for different color grades of cotton announced by the Exchange.

If the weight of commodities suffers from losses during the transportation process from the transit warehouses to the warehouses, the warehouses may still proceed with the load out of these commodities and the clients shall not refuse to receive them. If the weight has reduced by less than or equal to 1.3%, the losses arising from this shall be borne by the clients; if the weight has reduced by more than 1.3%, the holders of the transit receipts shall make compensation for the buying clients based on the highest settlement price of the nearby contract. In case that the holders of the transit receipts fail to make up for the clients in full, the left part of compensation shall be borne by the transit warehouses responsible for the registration of the transit receipts based on the highest settlement price of the nearby contract.

In case that the Notary Inspection Certificate of the registered receipts to be cancelled has expired and the commodities need to be re-inspected, the party who proposes the re-inspection shall pay for the notary inspection fees and relevant expenses.

**Article 112** In case that broken bags of cotton are discovered during the load-out process, the warehouses shall repair the bags without charging any fees.

**Article 113** In case that the commodities covered by frozen transit receipts are to be loaded out by turning the transit receipts into the registered receipts, the transit receipts shall be released in advance and go through the load-out and cancellation formalities required for registered receipts.

### **Section 3 Load out of White Sugar**

**Article 114** In case that the color value of white sugar has changed due to the changes in natural conditions and the variation is within the stipulated range, the commodities shall be loaded out in normal procedures and the owners shall not refuse to accept the commodities.

In case that the color value of the Grade 1 white sugar to be loaded out is less than or equal to 190IU, the losses incurred shall be borne by the owners; in case the color value is more than 190IU but less than or equal to 240IU, the warehouses shall pay a compensation of CNY 10 per metric ton to the pick-up party for each 10IU (those less than 10IU shall be considered as 10IU) increase in the color value. In case that the color value of white sugar is more than 240IU, the liabilities for compensation shall be borne by the warehouses.

**Article 115** If the packaging of the white sugar to be loaded out is moldy, wet, leaked, caking, in serious pollution or had strange odor, the compensation liabilities shall be borne by the warehouses.

### **Section 4 Load out of PTA**

**Article 116** In case that the moisture content of the PTA to be loaded out has changed under normal storage of the warehouses while such variation does not affect its normal usage, the owners shall not refuse to receive the commodities.

**Article 117** The principle for the load out of PTA is First in, First Out (FIFO).

### **Section 5 Load out of Rapeseed**

**Article 118** In case that the quantity of rapeseed suffers from losses (excluding from moisture losses) during the process of load out, the warehouses shall make up the quantity to the original level. In case that the lost quantity cannot be made up, the delivery warehouses shall calculate the value of the losses based on the highest settlement price of the nearby contract before the issuance day of the Pick-up Notice (including the issuance date) and make compensation for the buyers.

**Article 119** If the oil content of the rapeseed to be loaded out is no more than 0.5 percentage points lower than the load-in quality indicator, then the rapeseed shall be regarded as qualified for load out.

### **Section 6 Load out of Rapeseed Oil**

**Article 120** In case that the quantity of rapeseed oil suffers from losses in the process of load out, the warehouses shall make up the quantity to the original level promptly. In case that the quantity cannot be made up, the warehouses shall calculate the value of the losses based on the highest settlement price of the nearby contract before the issuance day of the Pick-up Notice (including the issuance day) and make compensation for the owners.

### **Section 7 Load out of Rapeseed Meal**

**Article 121** If the weight of the rapeseed meal to be loaded out is changed because of the excesses or deficiencies in moisture content, then the losses incurred shall be borne by the owners. If the weight losses are caused by the reasons other than the deficiencies in moisture content, then the losses incurred shall be calculated based on the highest settlement price of the nearby contract before the issuance day (including



the day) of the Pick-up Notice and the warehouses shall make compensation for the buyers, and the inspection fees for moisture content shall be borne by the warehouses.

The calculation formula for the excesses or deficiencies in moisture content shall be as follows:

excesses or deficiencies in moisture content = pick-up quantity × (actual moisture content when being loaded in — actual moisture content when being picked up) ÷ (1 — actual moisture content when being picked up)

The weight of the rapeseed meal to be loaded out shall be equal to the load-in weight calculated based on the piece number of packing material.

The weight of the rapeseed meal stored in the factories shall be loaded out in full weight.

If the crude protein of the rapeseed meal to be loaded out is no more than 0.5 percentage points lower than the load-in quality indicator, then the rapeseed meal shall be regarded as qualified for load out.

### **Section 8 Load out of Early Long-grain Nonglutinous Paddy, Late Long-Grain Nonglutinous Paddy and Medium to Short-grain Nonglutinous Paddy**

**Article 122** In case that the quantities of these commodities suffer from losses in the process of load out, the warehouses shall make up the quantities to the original level promptly. In case that the quantities cannot be made up, the warehouses shall calculate the value of the losses based on the highest settlement price of the nearby contract before the issuance day of the Pick-up Notice (including the day) and make compensation for the owners.

**Article 123** If the chalkiness rates of the late long-grain nonglutinous paddy and the medium to short-grain nonglutinous paddy to be loaded out are no more than 5

percentage points higher than the load-in quality indicators, then the commodities shall be regarded as qualified for load out.

### **Section 9 Load out of Methanol**

**Article 124** In case that the quality of the methanol to be loaded out cannot satisfy the delivery standards, then the compensation liabilities incurred shall be borne by the warehouses.

**Article 125** In case that the quantity of methanol suffers from losses in the process of load out, the warehouses shall make up the quantity to the original level promptly. In case that the quantity cannot be made up, the warehouses shall calculate the value of the losses based on the highest settlement price of the nearby contract before the issuance day of the Pick-up Notice (including the day) and make compensation for the owners.

### **Section 10 Load out of Ferrosilicon**

**Article 126** If the sieved underflow in the load-out granularity checking of ferrosilicon is no more than 1 percentage point higher than the quality indicator of load-in checking, the ferrosilicon shall be regarded as qualified for load out; if it is more than 1 percentage point higher than the quality indicator of the load-in checking, then the portion with excess sieved underflow shall be disqualified for load out and the warehouses shall make up the quantity to the original level. In case that the quantity of the commodities cannot be made up, the warehouses shall calculate the value of the quantity with excess sieved underflow based on the highest settlement price of the nearby contract before the issuance day of the Pick-up Notice (including the day) and make compensation for the owners.

**Article 127** In case that the packing materials of ferrosilicon is worn out in the process of load out and not suitable for neither loading nor unloading, the warehouses shall provide the packing materials and the repacking service for free.

### **Section 11 Load out of Manganese Silicon**

**Article 128** In case that the packing materials of manganese silicon is worn out in the process of load out and not suitable for neither loading nor unloading, the warehouses shall provide the packing materials and the repacking service for free.

### **Section 12 Load out of Cotton Yarn**

**Article 129** The owners of cotton yarn may conduct inspections on the cotton yarn to be loaded out batch by batch before consignment and check the information of the manufacturers, production date, production batch and quantity. The results of the load-out inspections shall be acknowledged by both the owners and warehouses.

**Article 130** In case the quality of the commodities to be loaded out is lower than the quality when the registered receipts were registered due to the changes in natural conditions, the warehouses may still proceed with the load out of commodities and the pick-up person shall not refuse to receive them.

**Article 131** In case that the packing materials of cotton yarn is worn out in the process of load out, the warehouses shall repack the commodities for free.

### **Section 13 Load out of Apple**

**Article 132** In case that the quantity of apples suffers from losses during the load-out process, the warehouses shall make up the quantity to the original level. In case that the quantity cannot be made up, the warehouses shall calculate the loss value of the commodities based on the highest settlement price of the nearby contract before the issuance day (including the day) of the Pick-up Notice and make compensation for the owners.

**Article 133** When apples covered by the receipts registered in a discounted way are to be loaded out, the warehouses shall notify the receipt registrants in advance, and the

registrants shall sort out the apples according to the delivery standards. In case that the registrants do not show up, the warehouses shall sort out the apples on behalf of the registrants. The sorting-out fee shall be borne by the registrants and be cleared between the warehouses and the registrants.

**Article 134** After the apples covered by the receipts registered in a discounted way have been loaded out, the remaining apples shall be disposed of by the registrants of receipts. If the registrants do not show up, they shall be deemed to have no objection to the sorting-out results, and the remaining apples shall be forwarded to the registrants by the warehouses. If the registrants fail to pay the sorting-out fees to the warehouses, the warehouses may, according to relevant laws, dispose of the remaining apples and be compensated in priority.

**Article 135** In case that there are quality disputes arisen between the owner and the warehouse when the apples are loaded out, re-inspection shall be conducted by the designated inspection agency. If the grade of quality tolerance stated on the re-inspection result is higher than or equal to that indicated on the registered receipts, then the latter shall prevail, and the re-inspection costs and relevant fees shall be borne by the party raising up the objection. If the grade of quality tolerance stated on the re-inspection result is lower than that indicated on the registered receipts but within the range of delivery standard, then the former shall prevail and the buyer shall accept the result, and the re-inspection costs and relevant fees shall be borne by the delivery warehouse.

## **Chapter 10 Delivery of Commodities Covered by Factory Receipts**

**Article 136** The daily delivery speed of the factories for the load out of commodities shall refer to the minimum quantity of commodities arranged to be loaded out within twenty-four (24) hours. Daily delivery speed shall be confirmed and adjusted by the Exchange.

**Article 137** Delivery locations for ferrosilicon and manganese silicon shall be the delivery warehouses within the distribution areas of the factories (Please refer to exchange's announcement for the distribution areas of factories). The transportation fees from the factories to the buyers' truck boards (including transit fees charged by the delivery warehouses) shall be borne by the factories. In case that there are discounts or premiums in the delivery warehouses, the owners and the factories may clear the amount of money according to the rates prescribed by the Exchange for discounts and premiums. In case that ferrosilicon and manganese silicon are delivered in other locations, the owners and the factories shall negotiate on the delivery details and relevant charges.

The owners and the factories shall reach agreements for delivery within three (3) business days after the owners contact the factories for delivery matters, and the agreements shall include delivery locations, transportation means and allocation of expenses. In case that the commodities are to be delivered in warehouses, the factories shall timely inform the warehouses and arrange the delivery. The owners shall complete the formalities for load-out inspection, pick up or storage within three (3) calendar days (excluding the arrival day of commodities) after the commodities arrived in the warehouses. In case that the commodities are not picked up within the pick-up period, any cost or quality liability incurred shall be borne by the owners.

In case that commodities are transported by trucks, the factories shall consign the commodities within three (3) calendar days after both parties reached an agreement on delivery; in case that commodities are transported by trains or ships, the factories shall consign the commodities within 15 (fifteen) calendar days after both parties reach an

agreement on delivery. After the consignment, the factories shall timely send relevant documents to the owners or the delivery warehouses.

**Article 138** The factories shall consign the products other than ferrosilicon and manganese silicon within three (3) calendar days after the owners complete the pick-up procedures with the factories, unless otherwise the owners and the factories have reached other consensus. The owners may pick up the commodities by themselves or appoint the factories to consign the commodities.

In case that the delivery is delayed due to the changes in transportation means or delivery time, incompleteness of the pick-up procedures, failure to pay expenses in time or other reasons, then the preceding paragraph shall not apply.

The picking up of thermal coal at ports shall be conducted in accordance with the regulations on board delivery prescribed in the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange.

**Article 139** The load-out weighing of commodities covered by factory receipts shall be conducted according to the following regulations:

The weight of the glass to be loaded out shall be discounted without being weighed according to the standard thickness or be actually measured by truck scale. The buyers shall decide to weigh the commodities or not.

In case that the weight of thermal coal is changed in the delivery process, any weight excess or deficiency incurred shall be dealt with in accordance with the regulations of board delivery prescribed in the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange.

In case that the ferrosilicon and manganese silicon are delivered in warehouses, the weighing of these commodities shall be conducted by the warehouses and the expenses incurred shall be borne by the factories; in case that the ferrosilicon and

manganese silicon are delivered in locations other than the warehouses, the weighing matters and expense allocation shall be negotiated by the factories and the owners.

The load-out weighing of commodities other than glass, thermal coal, ferrosilicon and manganese silicon shall be jointly conducted by the owners and the factories. The weighing results of the factories shall be the final ones. The commodities shall be loaded out in full weight.

In case that the excesses or deficiencies in the weight of glass do not exceed one packing unit for each pick up (which refers to one piece of Pick-up Notice), the value of the weight excesses or deficiencies shall be cleared by both parties themselves and be calculated based on the settlement price of the nearby contract.

If the quantities of the products other than glass and thermal coal suffer from losses in the process of load out, the factories shall make up the quantities to the original level promptly. In case that the quantities cannot be made up, the factories shall calculate the value of the losses based on the highest settlement price of the nearby contract before the issuance day of the Pick-up Notice (including the day) and make compensation for the owners.

The pick-up persons shall be present in the delivery locations to supervise the whole process of delivery. If the pick-up persons are not present, it shall be deemed as that the pick-up persons have no objection to the weight of commodities.

**Article 140** The load-out quality inspections of the commodities covered by factory receipts shall be implemented according to the following rules:

The factories shall provide the Quality Certificate to the owners for the load out of glass.

The factories shall provide the Product Quality Certificate to the owners for the load out of ferrosilicon and manganese silicon to prove that the qualities of the commodities are up-to-standard for delivery.

The load-out quality inspections for thermal coal shall be conducted in accordance with relevant regulations of board delivery prescribed in the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange.

The samples shall be jointly taken by the factories and owners for the load out of late long-grain nonglutinous paddy and medium to short-grain nonglutinous paddy. If the owners have no objection to the results of load-out inspections, the factories shall consign the commodities. In case that the actual quality indicators of the commodities to be loaded out are not consistent with those marked on the receipts but are within the allowed range of quality differences stipulated by the Exchange, the clients shall not refuse to receive the commodities. The premiums or discounts arising from quality differences shall be cleared by the factories and clients themselves according to the regulations of the Exchange.

The factories shall provide the owners with the Quality Certificate and the Inspection Report on the Products to be Loaded Out for the load out of cotton yarn. In case that the pick-up persons of cotton yarn reserve the rights to apply for re-inspection, the persons may retain samples. The factories shall conduct sampling under the supervision of the pick-up persons before commodities are transferred to the buyers' transportation vehicles. The samples shall be sealed for inspection with the confirmation of both parties. The samples shall be taken in duplicate; one shall be kept by the owners, and the other shall be kept by the factories. The factories shall keep the samples for thirty (30) calendar days after the commodities are consigned and the samples shall be the basis for the settlement of quality disputes.

The factories shall provide with the owners the Product Quality Certificate for the load out of apples to prove that the qualities of the commodities are up-to-standard for



delivery, and the owners shall be present to check the weight of load-out commodities and the factories shall be cooperative.

The factories shall conduct sampling under the supervision of the pick-up persons before the commodities are transferred to the buyers' transportation vehicles for the load out of commodities other than glass, thermal coal, late long-grain nonglutinous paddy, medium to short-grain nonglutinous paddy, ferrosilicon, manganese silicon, cotton yarn and apple. The samples shall be sealed for inspection with the confirmation of both parties. The samples shall be taken in triplicate; one shall be kept by the owners, and the other two copies shall be kept by the factories. The factories shall keep the samples for thirty (30) calendar days after the commodities are consigned and the samples shall be the basis for the settlement of quality disputes.

The factories shall ensure that the qualities of commodities are consistent with the delivery standards prescribed by the Exchange, unless otherwise both parties have reached other agreements on the quality of commodities.

**Article 141** The owners and the factories shall reach agreements on the delivery speed and the completion time of delivery when the owners are going through pick-up formalities. If the owners and the factories fail to reach agreements, the factories shall deliver commodities according to the daily delivery speed approved by the Exchange.

**Article 142** In case that there are more than one owners picking up commodities at the same time, the factories shall arrange the delivery order according to the time of appointments made by the owners and the completion time of pick-up formalities by the owners.

**Article 143** In case that the factories or the owners fail to deliver or pick up commodities as per the original delivery plans for some reasons, they shall inform each other and adjust the delivery speed or the delivery plans, and the party in default shall pay the overdue fine accordingly. The payment of overdue fine arising from the

delayed delivery or pick up of thermal coal shall be negotiated between the buyers and the sellers. The payment of overdue fine arising from the delayed delivery or picking up of products other than thermal coal=CNY 5 per metric ton × quantity of undelivered or un-picked-up commodities ×days of delay.

In case that the factories fail to deliver all the commodities within five (5) calendar days after the last day of consignment prescribed in the delivery plans, the owners may request to terminate the delivery and claim for indemnification from the factories.

the amount of indemnification=the highest settlement price of the nearby contract × quantity of undelivered commodities × 120%

In case that the factories are the party in default, the factories shall pay the indemnification to the owners. In case that the factories fail to pay the indemnification or the payment is not in full amount, the Exchange shall pay to the owners by using the bank guarantee letter, cash or other payment guarantees provided by the factories.

**Article 144** In case that the delivery or picking up of commodities cannot be performed due to the weather or other force majeure, the factories and the owners shall be exempted from paying indemnification.

The factories and the owners shall properly keep the Commodity Delivery Plan, Confirmation Letter on Negotiation and documents for consignment and pick up for the settlement of disputes.

## **Chapter 11 Load-in and Load-out Re-inspection**

## **Section 1 Re-inspection for Commodities having been Loaded in**

**Article 145** If the owners or delivery warehouses have any objection to the results of load-in inspection (excluding those for strong gluten wheat), they shall submit applications for re-inspections in writing to the Exchange within three (3) business days after receiving the inspection results, and shall prepay the re-inspection fees.

Only the controversial items proposed by the re-inspection applicants shall be re-inspected.

If the party with objections fails to submit re-inspection application within the stipulated time limit, the inspection results shall be deemed as acceptable for all.

**Article 146** In case that the quality re-inspection agencies for white sugar, PTA, methanol, ferrosilicon, manganese silicon and cotton yarn are the same agencies of initial quality inspections, the Exchange may change or add personnel for re-inspections.

As the quality inspections for the load in of common wheat and strong gluten wheat are conducted by the delivery warehouses with the approval of the Exchange, the quality agencies for re-inspections of these commodities shall be designated by the Exchange.

The quality re-inspection agencies for rapeseed, rapeseed oil, rapeseed meal, early long-grain nonglutinous paddy, late long-grain nonglutinous paddy, medium to short-grain nonglutinous paddy and apple shall be negotiated and determined by the warehouses and the owners; if no consensus is reached during negotiation, the re-inspection agencies shall be designated by the Exchange.

**Article 147** If the quality re-inspection agency of a product is designated by the Exchange, then the samples for re-inspection shall be re-taken by the designated quality inspection agency and the warehouse shall provide assistance and be

cooperative during the process. The re-inspection agency shall issue the re-inspection results within three (3) business days after the completion of re-sampling (the period may be appropriately delayed if the samples are in large quantity) and notify the Exchange of the re-inspection results in writing, and the Exchange shall notify the party proposing the re-inspection.

If the re-inspection of a product is conducted by the initial quality inspection agency, the agency shall only need to re-inspect the samples it has kept for initial inspection and re-sampling is not needed. The re-inspection agency shall issue the re-inspection results within four (4) business days (ten (10) business days for cotton yarn) after receiving the re-inspection notification from the Exchange and shall notify the Exchange of the re-inspection results in writing, and the Exchange shall notify the party proposing the re-inspection.

The re-inspection results shall be deemed as the basis for the settlement of disputes.

**Article 148** If the quality re-inspection agency of a product is designated by the Exchange and the re-inspection results are consistent with the initial inspection results of the warehouses, the owner shall pay relevant fees incurred (including the inspection fees, the sampling fees, travel expenses and traffic fare; the same hereinafter); in case that the re-inspection results are different from the initial results, the warehouses shall pay relevant fees.

If the re-inspection on a product is conducted by the initial quality inspection agency and the re-inspection results are consistent with the initial results, then the owner shall pay relevant fees; in case that the re-inspection results are different from the initial results, the warehouse shall pay relevant fees.

**Article 149** The load-in re-inspection for No.1 cotton shall be implemented in accordance with the Measures for the Implementation of Notary Inspection on Deliverable Cotton Futures (Interim).

## **Section 2 Re-inspection for Commodities to be Picked up**

**Article 150** If the holders of registered receipts have any objection to the quality of commodities, they shall apply to the Exchange for re-inspections and prepay the re-inspection fees within ten (10) business days after the Pick-up Notice is issued.

If the party with objections fails to submit re-inspection application within the stipulated time period, the load-out inspection results shall be deemed as acceptable for all.

**Article 151** Only the controversial items proposed by the re-inspection applicants shall be re-inspected.

For the items inspected by the warehouses, please refer to the regulations on the re-inspections of commodities already having been loaded in; for the items inspected by the quality inspection agencies, the re-inspection shall be carried out by the quality inspection agencies designated by the Exchange.

The re-inspection results shall be the basis for the settlement of disputes.

**Article 152** The Exchange shall not accept the applications for quantity or quality re-inspections if the applications are not submitted within the stipulated period or if the commodities have already been loaded out, and the Exchange shall not assume any liability incurred.

**Article 153** The Exchange shall notify the warehouses within two (2) business days after receiving the written objections. The quality re-inspection agencies shall re-sample with the assistance of the warehouses, and the samples shall be sealed after being acknowledged by three parties. The Exchange shall notify the members and the warehouses of the re-inspection results.

If the re-inspection results show that the commodities are qualified for load out, then relevant re-inspection fees shall be borne by the applicants for re-inspection. Otherwise, relevant re-inspection fees shall be borne by the party in default.

**Article 154** If the re-inspection results indicate that the commodities are unqualified for load out, then the warehouses or transferors of registered receipts shall replace them with qualified commodities within the stipulated period agreed by both parties, and the pick-up persons shall not refuse to receive the qualified commodities. The replacement of commodities shall not affect the load out of commodities. Transportation and inspection fees arising from the replacement shall be borne by the warehouses or the transferors of registered receipts. The load-out procedures after replacement shall be implemented in accordance with relevant delivery rules.

**Article 155** If the warehouses or transferors of registered receipts fail to replace the unqualified commodities with qualified ones, the warehouses or transferors of registered receipts may negotiate with the clients (the party to pick up commodities).

If no consensus is reached during negotiation, the following rules shall be implemented:

I. the warehouses or transferors of registered receipts shall timely process the unqualified commodities and make the commodities qualified for load out and shall assume the liabilities for compensation. The compensation amount shall be calculated based on 3% of the highest settlement price of the nearby contract. After processing and compensation, the clients (the party to pick up the commodities) shall not refuse to receive the commodities.

II. if the commodities cannot be processed or cannot reach the load-out standard after processing, the warehouses or transferors of registered receipts shall assume the liabilities for compensation. The amount of compensation shall be calculated based on

120% of the highest settlement price of the nearby contract and the unqualified commodities shall belong to the warehouses or transferors of registered receipts.

**Article 156** The load-out re-inspection of No.1 cotton shall be carried out in accordance with the national standards of cotton and the Measures for the Implementation of Notary Inspection on Deliverable Cotton Futures (Interim).

**Article 157** The Exchange shall not accept applications for the load-out re-inspections on the foreign fiber content of cotton yarn.

### **Section 3 Load-out Re-inspection of Commodities Covered by Factory Receipts**

**Article 158** If the owners or the factories have objections to the weight and quality of the commodities to be loaded out, the owners shall negotiate with the factories first to solve the problems. If negotiations do not work, the owners may apply for re-inspections to the Exchange and prepay relevant fees.

Objections to the weight of commodities shall be raised up before the load out/in.

Objections to the quality of glass, late long-grain nonglutinous paddy, medium to short-grain nonglutinous paddy, cotton yarn (excluding the indicator of foreign fiber content) and apple shall be raised up before the load out; objections to the foreign fiber content of cotton yarn shall be raised up before the load out or within thirty (30) business days after the load out, while before which the proposers shall keep the samples of the cotton yarn and reserve the rights to apply for re-inspections; objections to the quality of thermal coal shall be raised up within five (5) business days after receiving the inspection reports; objections to the quality of other products shall be raised up within five (5) business days after the load out or delivery.

In case that no objection is raised up within the stipulated time limit, then the inspection results of weight or quality of commodities shall be deemed as acceptable for all. The samples of cotton yarn reserved in factories shall be mailed to the owners

or be retrieved by the owners. The mailing charges and the damages of the samples incurred during the mailing process shall be borne and assumed by the owners unless otherwise other agreements have been reached by both parties.

**Article 159** The re-inspections on thermal coal shall be conducted in accordance with the regulations of board delivery prescribed in the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange. For the re-inspections on the products other than thermal coal, only the controversial items proposed by the applicants shall be re-inspected.

Re-inspections shall be carried out by the quality inspection agencies. The quality re-inspection agencies shall be designated and announced by the Exchange.

Samples of methanol and thermal coal for re-inspections shall be the preserved samples for initial inspections and re-sampling is not needed.

For glass, early long-grain nonglutinous paddy and medium to short-grain nonglutinous paddy, re-inspections shall be conducted on corresponding products to which the re-inspection applicants have quality-related objections.

The re-inspection results shall be the basis for the settlement of disputes.

**Article 160** In case that the applications for quality and quantity re-inspection of commodities to be loaded out fail to be submitted within the stipulated time period, then the Exchange shall not accept them and shall not assume any resulting liabilities.

If the results of the re-inspections indicate that the commodities have reached the delivery standards, then relevant fees of re-inspections shall be borne by the applicants for re-inspections. In case that the cotton yarn shall be delivered at an additional discount according to the re-inspection results of foreign fiber content, the owners shall not refuse to take delivery of the cotton yarn. Any loss incurred shall be cleared through the negotiations between the factories and the owners. In case that no



consensus can be reached, the re-inspection fees and relevant expenses shall be borne by the factories, and the factories shall make compensation for the owners. The formula for calculating the amount of compensation shall be as follows:

the amount of compensation = the highest settlement price of the nearby contract  
× quantity of commodities to be delivered at an additional discount after  
re-inspection × discount rate

If the grade of quality tolerance stated on the re-inspection result is higher than or equal to that indicated on the registered receipts, then the latter shall prevail. If the grade of quality tolerance stated on the re-inspection result is lower than that indicated on the registered receipts but within the range of delivery standard, then the actual grade of quality tolerance shall prevail and the buyer shall accept the result, and the re-inspection costs and relevant fees shall be borne by the factories.

In case that the results of the re-inspections indicate that the commodities fail to satisfy the delivery standards, then relevant fees of re-inspections shall be borne by the factories. Any loss incurred shall be cleared through the negotiations between the factories and the owners. In case that both parties fail to reach a consensus, the factories shall assume the liabilities of compensation; and the compensation amount shall be given by:

the highest settlement price of the nearby contract × quantity of the unqualified  
commodities × 120%

The corresponding commodities shall belong to the factories.

## **Chapter 12 Supervision, Disputes and Settlement**

**Article 161** The Exchange shall have the right to conduct spot-checking on the commodities used for futures delivery.

The receipts for commodities failing to pass the spot-checking shall not be registered.

In case that the receipts of commodities have been registered, while the quality or quantity of such commodities is found to be unqualified or not sufficient during spot-checking, the warehouses, factories or holders of registered receipts shall take remedial measures such as making up the quantity or providing qualified commodities within a limited period. All fees and losses incurred shall be borne by the warehouses or the holders of registered receipts. In case that any violation of rules, the Exchange shall punish the party in default in accordance with relevant rules.

**Article 162** In case that there are disputes between the transferors and the transferees (the party to pick up commodities) of registered receipts or between the clients and the warehouses, factories or the promisers of inspection exemption of products' qualities, then both parties shall settle the disputes through negotiations first; in case that no consensus is reached after negotiations, they shall apply to the Exchange for arbitration in writing within five (5) business days after the occurrence of the disputes. In case that the disputes still cannot be settled through the Exchange's arbitration, they shall file a lawsuit at a court of China in accordance with the laws or apply to arbitration organizations for arbitration.

**Article 163** In case that there are disputes on the quality and quantity of the commodities to be loaded out, the Exchange shall determine which party shall be responsible in accordance with these Measures and the final responsibilities shall be assumed by the party in default.

**Article 164** In case that the warehouses, factories or transferors of registered receipts fail to deliver to the clients (the party to pick up commodities) the commodities that are up to the delivery standards stipulated in the contracts, and such action incurs

losses to the clients, then the warehouses, factories or transferors shall assume the liabilities of compensation. If the warehouses or factories fail to perform their liabilities of compensation, the Exchange shall make supplementary compensation to the clients based on the weight and quality of the commodities.

**Article 165** After the factories completed the deliveries and the Exchange confirmed that the quantity and quality of the products for delivery are correct and up-to-standard in writing, the Exchange shall return the cash or other recognized payment guarantees accordingly.

### **Chapter 13 Supplementary Provisions**

**Article 166** The Exchange shall reserve the right to interpret these Measures.

**Article 167** These Measures shall enter into force from November 9, 2018.

**(The English version is for reference ONLY. The Chinese version shall prevail if there is any inconsistency.)**