

Detailed Rules for Implementation of Bonded Delivery of Zhengzhou Commodity Exchange

(Articles 27, 28, 30-32, 34-37, 39-41, 43 and 44 shall come into force from May 2, 2019; other articles shall come into force from November 9, 2018)

Chapter 1 General Provisions

Article 1 These Detailed Rules are formulated in accordance with the Trading Rules of Zhengzhou Commodity Exchange and relevant rules for the purposes of guaranteeing the normal operation of the bonded delivery of Zhengzhou Commodity Exchange (hereinafter “the Exchange”) and regulating delivery activities.

Article 2 The bonded delivery business of the Exchange shall be conducted in accordance with these Detailed Rules. The Exchange, members, clients, overseas brokers, bonded delivery warehouses, inspection agencies and other futures market participants shall comply with these Detailed Rules when processing businesses with respect to bonded delivery.

Article 3 Bonded delivery shall refer to the delivery of the underlying commodities which are under bonded supervision in the customs’ special supervision area or bonded supervision place against a futures contract.

Article 4 A bonded delivery warehouse shall refer to the delivery place designated by the Exchange to provide the bonded service and perform the function of bonded commodity delivery against futures contracts.

Article 5 Registered bonded receipts shall refer to the documents of title certifying that the owners own the physical commodities for delivery or by which the owners could pick up the commodities, and such receipts are registered by the bonded delivery warehouses in accordance with relevant provisions of the Exchange after the warehouses' applications for registering warehouse receipts are approved by the Exchange.

Article 6 Registered bonded receipts shall be used for delivery, exchange of futures for physicals (hereinafter "EFP"), transfer and other purposes prescribed by the Exchange.

Article 7 The tax-inclusive registered receipts and the tax-inclusive delivery price herein shall refer to the registered receipts and the delivery price mentioned in the Bylaws of Zhengzhou Commodity Exchange, Trading Rules of Zhengzhou Commodity Exchange and other relevant detailed rules.

Chapter 2 Bonded Delivery of Methanol

Section 1 Registration of Bonded Receipts

Article 8 With respect to the delivery of registered bonded receipts, the procedures of issuing Load-in Intention, loading in and registering bonded receipts shall be gone through in accordance with the Measures for the Administration of Registered Receipts and Transit Receipts of Zhengzhou Commodity Exchange, and the clients shall provide the document of title, bonded commodity inspection certificate and other documents required by the Customs.

Article 9 The charges for load in, load out and storage shall be consistent with relevant provisions prescribed in the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange.

Section 2 Circulation of Registered Bonded Receipts

Article 10 Registered bonded receipts within the validity period can be used for delivery, EFP, transfer and be pledged as margins. The expiration date of registered bonded receipts shall be five (5) trading days later than that of the tax-inclusive registered receipts covering the same underlying commodity.

Article 11 Registered bonded receipts can be pledged as margins. The Exchange shall, when calculating the pledged amount of the receipts, use the settlement price of the nearby contract on the trading day preceding the pledge day to minus import value-added tax (hereinafter “VAT”), import consumption tax and import tariff as the benchmark price of the receipt. The specific procedures shall be consistent with the Detailed Rules for Futures Clearing of Zhengzhou Commodity Exchange.

Article 12 The procedures of pledging registered bonded receipts shall be consistent with those of tax-inclusive registered receipts and shall be processed in accordance with the Detailed Rules for Futures Clearing of Zhengzhou Commodity Exchange.

Article 13 Bonded receipts can be registered as tax-inclusive registered receipts after being cancelled and undergoing customs declaration formalities with duties being paid.

Section 3 Clearing of Bonded Delivery, Circulation of Invoices and Handling of Defaults

Article 14 The clearing of bonded delivery, circulation of invoices and determination of defaults shall be handled in accordance with the Detailed Rules for Futures

Delivery of Zhengzhou Commodity Exchange, unless otherwise stipulated in this Chapter.

Article 15 After the positions covered by registered bonded receipts are matched for delivery, the seller's corresponding registered bonded receipts shall be frozen and corresponding trading margin shall not be released temporarily.

Article 16 The buyers shall pay the rest of payment in full before 9:00 a.m. on the delivery day and such payment shall be calculated based on the bonded delivery price.

Article 17 The clearing of bonded delivery shall be conducted in accordance with the following procedures:

I. bonded delivery payment is calculated based on the bonded delivery quantity, bonded delivery price, and bonded premiums and discounts.

II. after the market close of the delivery day, the Exchange shall issue to the seller a Bonded Delivery Clearing Statement and a detailed list of registered bonded receipts held by the seller for Customs declaration. The Bonded Delivery Clearing Statement shall state the names of the buyer and seller, names of the buying member and selling member, name of the delivery warehouse, actual quantity of commodities for delivery, bonded delivery price and bonded premiums and discounts.

III. the unit price for seller to declare shall be the bonded delivery price stated on the Bonded Delivery Clearing Statement plus bonded premiums and discounts. The seller must complete the declaration in time and delivered the special (normal) VAT invoice to the buyer.

The bonded delivery price shall be calculated as:

$$\frac{[(\text{tax-inclusive delivery price} - \text{relevant expenses}) / (1 + \text{import VAT rate}) - \text{consumption tax}] / (1 + \text{import tariff rate})$$

The bonded premium or discount shall be calculated as:

$$[\text{premium or discount}/(1 + \text{the import VAT rate})]/(1 + \text{import tariff rate})$$

The bonded delivery payment shall be calculated as:

$$(\text{bonded delivery price} + \text{bonded premium or discount}) \times \text{quantity of commodities for bonded delivery}$$

The above formulas shall be applicable to the futures product on which the consumption tax is levied according to product quantity and the import tariff collected based on product price. The premiums and discounts in the above formulas are the adjustments to delivery price based on different delivery grades, qualities and locations of warehouses. The rates of the premiums and discounts and relevant expenses in the above formulas shall be announced by the Exchange separately.

In the event of any adjustment to the national taxation policy, the exchange will adjust and publish the formula for calculating the bonded delivery price in time.

IV. The buyer shall make payment and the seller shall deliver registered receipts once the seller completes the declaration. The registered bonded receipts can be converted into tax-inclusive registered receipts after the delivery has been done. The conversion shall be approved by the Exchange.

Article 18 In respect of the futures contracts to which bonded delivery shall apply, the Exchange shall publish the tax-inclusive delivery price and bonded delivery price after market close of the matching day in the delivery month.

Article 19 The seller shall declare the bonded products and issue VAT invoice according to the following procedures:

I. within seven (7) trading days after the delivery day (excluding the day), the seller shall complete customs declaration by submitting the Bonded Delivery Clearing

Statement, a detailed list of registered bonded receipts held by the seller and other relevant documents. Any failure to complete declaration within the prescribed period shall constitute a delivery default.

II. within seven (7) trading days after completing the declaration, the seller shall issue special VAT invoice to the buyer. If the seller defers to deliver the invoice for one (1) to ten (10) days (calendar day), the seller shall pay a daily late fee of 0.5‰ of the delivery payment calculated based on the delivery price to the buyer; any deferral to deliver special (normal) VAT invoice from the seller to the buyer for over ten (10) days (calendar day) shall be deemed as a refusal to deliver special (normal) VAT invoice and shall be punished in accordance with the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange.

In the event of above defaults, the seller shall, according to the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange, pay a penalty. If the seller's deferral of completing customs declaration and issuing special (normal) VAT invoice is caused by Customs or other policies, the transfer of payment for commodities and ownership of registered receipts shall be deferred accordingly, and the seller shall be exempted from paying corresponding late fees and such deferral shall not constitute a default.

Article 20 If the ownership transfer of registered bonded receipts is not achieved by delivery matching, the Exchange shall not issue Bonded Delivery Clearing Statement, and the clearing of payment for commodities and the circulation of documents shall be processed by members or clients through negotiation. The duty-paid price of the commodities covered by such registered bonded receipts shall be verified by the Customs in accordance with relevant provisions.

Section 4 Bonded EFP

Article 21 Bonded EFP shall refer to the simultaneous execution of an Exchange futures contract and a corresponding physical transaction contract or a forward contract on a physical transaction.

Bonded EFP shall only apply to registered bonded receipts.

Article 22 In the case of bonded EFP, the Exchange shall not issue Bonded Delivery Clearing Statement, and the clearing of payment for commodities and the circulation of relevant documents shall be handled by members or clients through negotiation.

Article 23 Bonded EFP shall be conducted in accordance with relevant provisions prescribed in Chapter 7 of the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange.

Section 5 Registered Bonded Receipt Cancellation and

Commodity Load out

Article 24 The registered bonded receipt cancellation and commodity load out shall be conducted in accordance with the Measures for the Administration of Registered Receipts and Transit Receipts of Zhengzhou Commodity Exchange, unless otherwise stipulated in this Chapter.

Article 25 When loading the commodities out of warehouses after the registered bonded receipts are cancelled in accordance with the Measures for the Administration of Registered Receipts and Transit Receipts of Zhengzhou Commodity Exchange, the warehouse shall verify the pick-up password, ID card, the pick-up supporting materials issued by the person's workplace and the Customs Release Permit provided by the pick-up person.

Chapter 3 Bonded Delivery of PTA

Section 1 Registration of Bonded Receipts

Article 26 Registered bonded receipts shall be generated in accordance with relevant provisions on registered receipts of the Exchange.

Article 27 The receipts registered by bonded delivery warehouses shall clearly state whether the commodities covered by the receipts are bonded or duty-paid. The bonded and duty-paid commodities shall be managed separately.

Article 28 The PTA produced by overseas manufacturers on which the People's Republic of China (hereinafter "the PRC") levies anti-dumping duties is not allowed to be used for the bonded receipts registration.

Section 2 Circulation of Registered Bonded Receipts

Article 29 Registered bonded receipts of PTA can be used for delivery, EFP, transfer, collateral and other purposes approved by the Exchange.

Article 30 The delivery and EFP of the registered bonded receipts of PTA shall be conducted in accordance with relevant provisions in the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange and Detailed Rules for Futures Clearing of Zhengzhou Commodity Exchange, unless otherwise stipulated in Sections 3 and 4 of this Chapter.

Article 31 The seller shall go through the formalities for the transfer of the ownership of registered bonded receipts on the Exchange and appoint the Exchange to transfer the payment for commodities. The registered bonded receipts shall be transferred at the price within the range of the limit price (excluding tax) of nearby futures contract of the transfer application submission day. The Exchange shall issue Bonded Delivery

Clearing Statement (for Tax and Bookkeeping Use only) to the seller and Bonded Delivery Clearing Statement (for Bookkeeping Use only) to the buyer. The Bonded Delivery Clearing Statement shall include price information, names of the buyer and seller, names of the buying member and selling member, place of production, actual quantity of products, delivery time and delivery method. The delivery method shall be marked with “transfer”.

The selling member shall deliver normal VAT invoice to the Exchange before the market close of the 7th trading day after the registered bonded receipts being transferred. In case that the selling member fails to deliver the normal VAT invoice, the Exchange shall deduct in advance 5% of the payment for commodities and deal with the situation according to the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange and Detailed Rules for Futures Clearing of Zhengzhou Commodity Exchange.

Article 32 Registered bonded receipts can be pledged as margins. The Exchange shall, when calculating the pledged amount of the receipts, use the settlement price of the nearby contract on the trading day preceding the pledge day to minus relevant taxes as the benchmark price of the receipt. The specific procedures shall be consistent with the Detailed Rules for Futures Clearing of Zhengzhou Commodity Exchange.

The benchmark price of the registered bonded receipts pledged as margins shall be calculated as:

$$\frac{[(\text{the settlement price of the nearby futures contract of the day preceding the application day} - \text{relevant expenses}) / (1 + \text{import VAT rate}) - \text{consumption tax}] / (1 + \text{import tariff rate})$$

Relevant expenses herein shall include import declaration fees, customs censoring charges, agent service charges and other relevant expenses which shall be published by the Exchange separately. Consumption tax shall be levied based on the quantity of delivered commodities and import tariff shall be collected based on the price of

delivered commodities.

Section 3 Clearing of Bonded Delivery, Circulation of Invoices and Handling of Defaults

Article 33 The delivery matching of registered bonded receipts shall be conducted in accordance with the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange.

Article 34 The buyer shall pay the unpaid delivery payment in full before 9:00 a.m. on the delivery day.

Payment for commodities covered by registered bonded receipts shall be calculated as:

bonded delivery price × quantity of commodities covered by registered bonded receipts × delivery unit;

The bonded delivery price in the above formula shall be calculated as:

$[(\text{delivery price} - \text{relevant expenses}) / (1 + \text{import VAT rate}) - \text{consumption tax}] / (1 + \text{import tariff rate})$

Relevant expenses herein shall include import declaration fees, customs censoring charges, agent service charges and other relevant expenses which shall be published by the Exchange separately. Consumption tax shall be levied based on the quantity of delivered commodities and tariff shall be collected based on the price of delivered commodities.

The bonded delivery price shall be published by the Exchange after market close of the matching day in the delivery month. In the event of any adjustment to the national taxation policy, the Exchange will adjust and publish the formula for bonded delivery price calculation in time.

Article 35 The Exchange shall, after the market close of the delivery day, deliver the

registered bonded receipts submitted by the selling member to the buying member, transfer the delivery payment to the selling member and issue Bonded Delivery Clearing Statement (for Tax and Bookkeeping Use only) to the seller and Bonded Delivery Clearing Statement (for Bookkeeping Use only) and Bonded Delivery Clearing Statement (for Customs Declaration Use only) to the buyer. The Bonded Delivery Clearing Statements shall state price information, names of the buyer and seller, names of the buying member and selling member, place of production, actual quantity, delivery time and delivery method. The delivery method shall be marked with “delivery”.

Article 36 When engaging in the delivery of PTA by means of registered bonded receipts, the domestic seller shall issue normal VAT invoice to the selling member and the overseas seller or the overseas broker shall issue relevant payment receipt vouchers to the selling member; the selling member shall issue normal VAT invoice to the Exchange; the Exchange shall issue normal VAT invoice to the buying member; the buying member shall issue normal VAT invoice to the buyer and overseas broker.

Article 37 The selling member shall deliver normal VAT invoice to the Exchange before the market close of the 7th trading day after the delivery day. If the selling member fails to do so, the Exchange shall deduct in advance 5% of the payment for commodities as a penalty and deal with the situation according to the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange and Detailed Rules for Futures Clearing of Zhengzhou Commodity Exchange.

Section 4 Bonded EFP

Article 38 In the case of bonded EFP, the Exchange shall be responsible for delivering registered bonded receipts and transferring payment for commodities, and the handling fee shall be charged in accordance with the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange and Detailed Rules for Futures Clearing of Zhengzhou Commodity Exchange.

Article 39 When conducting clearing for bonded EFP, the Exchange shall liquidate

corresponding futures positions of the buyer and seller at the settlement price of the nearby delivery contract of the day preceding the application day, calculate profits and losses and transfer the payment for commodities based on the delivery price of bonded EFP. The Exchange shall publish relevant information on executed bonded EFP at the end of each trading day.

The payment for commodities of bonded EFP shall be calculated as:

delivery price of bonded EFP × quantity of commodities covered by registered bonded receipts for bonded EFP × delivery unit;

The delivery price of bonded EFP in the above formula shall be calculated as:

$$\frac{[(\text{settlement price of nearby delivery contract of the day preceding the application day} - \text{relevant expenses}) / (1 + \text{import VAT rate}) - \text{consumption tax}] / (1 + \text{import tariff rate})}{1}$$

Relevant expenses herein shall include import declaration fees, customs censoring charges, agent service charges and other relevant expenses which shall be published by the Exchange separately. Consumption tax shall be levied based on the quantity of delivered commodities and tariff shall be collected based on the price of delivered commodities.

Article 40 The Exchange shall, after the market close of the day when bonded EFP is approved, deliver the registered bonded receipts submitted by the selling member to the buying member, and issue Bonded Delivery Clearing Statement (for Tax and Bookkeeping Use only) to the seller and Bonded Delivery Clearing Statement (for Bookkeeping Use only) and Bonded Delivery Clearing Statement (for Customs Declaration Use only) to the buyer. The Bonded Delivery Clearing Statements shall state price information, names of the buyer and seller, names of the buying member and selling member, place of production, actual quantity, delivery time and delivery method. The delivery method shall be marked with “EFP”.

Article 41 The selling member shall deliver normal VAT invoice to the Exchange before the market close of the 7th trading day after the day on which EFP is approved.

If the selling member fails to do so, the Exchange shall deduct in advance 5% of the payment for commodities as a penalty and deal with the situation according to the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange and Detailed Rules for Futures Clearing of Zhengzhou Commodity Exchange.

Section 5 Registered Bonded Receipt Cancellation and Commodity Load out

Article 42 The registered bonded receipts shall be cancelled in accordance with the Measures for the Administration of Registered Receipts and Transit Receipts of Zhengzhou Commodity Exchange, unless otherwise stipulated in this Section.

Article 43 If the holder of registered bonded receipts needs to declare the bonded commodities for import or to transit the commodities out of the territory of the PRC, relevant formalities shall be gone through in accordance with the regulations of local Customs.

Article 44 When declaring the bonded commodities for import, the delivery price stated on the Bonded Delivery Clearing Statement (for Customs Declaration Use only) shall be used for declaration. The duty-paid price of PTA shall be checked by the Customs, and the holder of the commodities shall pay taxes in accordance with relevant provisions of the Customs.

Chapter 4 Supplementary Provisions

Article 45 The Exchange shall reserve the right to interpret these Detailed Rules.

Article 46 Matters not covered in these Detailed Rules shall be handled in accordance with the Trading Rules of Zhengzhou Commodity Exchange and the detailed rules on the implementation thereof.

Article 47 These Detailed Rules 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.)