**Detailed Rules of Zhengzhou Commodity Exchange for Cotton Futures**

**Chapter 1 General Provisions**

**Article 1** These *Detailed Rules* are made in accordance with the *Trading Rules of Zhengzhou Commodity Exchange* and the cotton futures (“**CF**”) contract to regulate CF-related activities on the Zhengzhou Commodity Exchange (the “**Exchange**”).

**Article 2** The Exchange, Members, clients, delivery warehouses, quality inspection agencies, and other participants of the futures market shall comply with these *Detailed Rules*.

**Chapter 2 Trading**

**Article 3** CF contract has a contract size of 5 metric tons/lot (conditioned weight).

**Article 4** CF contract has a price quotation of Chinese Yuan (RMB)/metric ton.

**Article 5** CF contract has a minimum price fluctuation of 5 yuan/metric ton.

**Article 6** CF contract has the following delivery months: January, March, May, July, September, November.

**Article 7** CF contract has a minimum order size of 1 lot, maximum order size of 1,000 lots for limit orders, and maximum order size of 200 lots for market orders.

The Exchange may adjust the minimum order size, maximum limit order size, and maximum market order size based on market conditions. The specific thresholds will be separately announced by the Exchange.

**Article 8** CF contract is traded during night session hours and day session hours. The night session hours are 21:00 – 23:00. The day session hours are 9:00 – 11:30 and 13:30 – 15:00, with a break at 10:15 – 10:30.

Any suspension or cancellation of the night session or adjustment of the night session hours will be announced by the Exchange.

**Article 9** CF contract has the following Last Trading Day: the 10th trading day of the delivery month.

**Article 10** CF contract has the following product code: CF.

**Chapter 3 Delivery**

**Section 1 General Rules**

**Article 11** CF may be delivered by exchange of futures for physical and standard delivery warehouse receipts.

Rolling Delivery for CF is conducted through Response Matching.

The specific delivery procedures are governed by the applicable provisions of the *Futures Delivery Rules of Zhengzhou Commodity Exchange* and these *Detailed Rules*.

**Article 12** CF has a delivery unit of 185 ± 5 bales (227 ± 10 kg/bale), corresponding to 8 lots.

**Article 13** CF contract has the following Last Delivery Day: the 13th trading day of the delivery month.

**Article 14** The standard warehouse receipts for CF are all standard delivery warehouse receipts.

The standard warehouse receipts for CF are all non-general standard warehouse receipts.

**Article 15** Standard warehouse receipts for CF registered in a given year are valid till the 15th trading day (inclusive) in November of the following year.

**Article 16** Delivery of CF shall be made against a special VAT invoice.

**Article 17** The delivery warehouses for CF and the relevant premiums and discounts are determined and published by, and subject to the adjustment of, the Exchange.

**Article 18** The benchmark delivery price of CF is the tax-included price (including packaging fees) at which the benchmark deliverable is delivered at a benchmark delivery warehouse.

**Article 19** The registrant of a standard warehouse receipt for CF shall bear all the expenses incurred before the commodity is transported to the designated storage location in the delivery warehouse; the pick-up person shall bear all the expenses arising from moving the commodity from the designated storage location onto the truck, railcar, or ship.

The rates of delivery fees, storage fees, load-in and load-out fees, certified inspection supporting service fees, and other delivery-related fees will be separately announced by the Exchange.

**Article 20** The cost of packaging materials for cotton is included in the price of the corresponding futures contract and is not charged separately.

**Article 21** Any matter in relation to the creation, negotiation, and cancellation of standard warehouse receipts for CF that is not covered by these *Detailed Rules* is governed by the *Rules of Zhengzhou Commodity Exchange on Standard Warehouse Receipts*.

**Section 2 Delivery Standard**

**Article 22** The delivery of CF is governed by national standards and these *Detailed Rules*.

**Article 23** The benchmark deliverable is domestic cotton meeting the quality standard for Grade 3128B under *National Standard of the People’s Republic of China “Cotton Part 1: Saw Ginned Upland Cotton”* (GB 1103.1-2012), with U3 length uniformity, S3 strength, and P2 preparation.

**Article 24** The substitute deliverables and their premiums and discounts are as follows: Cotton conforming to GB 1103.1-2012 with color grade of 11, 21, 41, 12, or 22; mean length of 27 mm, 29 mm, or above; length uniformity of U1, U2, or U4; dominant micronaire of A, C, or C2; strength of S1, S2, or S4; and preparation of P1 or P3.

The premiums and discounts for substitute deliverables will be separately established and announced by the Exchange.

**Article 25** Each delivery unit of cotton is priced individually based on its color grade and preparation classification. Cotton with a dominant color grade is delivered at a premium of RMB 100 yuan/metric ton. For any cotton without a dominant color grade, its classified color grade is the color grade accounting for the highest share.

Premiums, discounts, and classification-based pricing of cotton are settled in accordance with the results of re-inspection along with the delivery payment.

**Article 26** Saw-ginned upland white cotton produced in year N will be discounted at RMB 4 yuan/metric ton/calendar day from August 1 of year N+1 to the 15th trading day (inclusive) in November of year N+1.

**Article 27** The packaging and packaging materials for cotton shall meet applicable national regulations.

**Section 3 Delivery with Standard Delivery Warehouse Receipts**

**Article 28** Starting from September 1 of each year, the Exchange will accept the inspection request for cotton newly produced in that year.

**Article 29** A load-in deposit of RMB 30 yuan/metric ton shall be paid to the delivery warehouse at the submission of a delivery intention for cotton.

**Article 30** The Load-in Notice for cotton issued by a delivery warehouse is valid for forty (40) calendar days.

**Article 31** A delivery warehouse shall accept cotton at load-in in accordance with the information stated on the Load-in Notice, the original certificate of inspection, and the weight note.

**Article 32** The cotton to be loaded in shall be in a Type I bale (227 ± 10 kg/bale) as specified under *National Standard of the People’s Republic of China “Cotton Baling”* (GB 6975-2013) and accompanied by the original certificate of inspection and weight note.

**Article 33** A delivery warehouse shall refuse to store a shipment of cotton as futures deliverable and shall promptly notify the relevant Member or the registrant of the standard warehouse receipts if during load-in or before the registration of the standard warehouse receipts it finds that:

(1)the cotton is adulterated or substituted with non-compliant product;

(2)the cotton is non-compliant with the batching rules under GB 1103.1-2012;

(3)the cotton bale shows signs of serious contamination, water stains, fire, or mold or has odor or incomplete packaging;

(4)the cotton has not undergone inspection or the bale label is not in compliance with national standards;

(5)the bale tie breakage rate is greater than 5%;

(6)the trash content is greater than 3.5%;

(7)the cotton is not produced in the current cotton crop year;

(8)the moisture regain of a single bale is greater than 10%; or with plastic wrap packaging, the moisture regain of a single bale in a batch is greater than 9%, or the average moisture regain of a batch is greater than 8.5%;

(9)upon testing, the color grade is 51, 32, 13, 23, 33, 14, or 24; the fiber length is less than 27 mm; the length uniformity is U5; the micronaire is C1; or the strength is S5; or

(10)any other circumstance that violates the delivery rules of the Exchange.

“Cotton crop year” as referred to in this Article means the period from September 1 of a given year to August 31 of the following year.

**Article 34** The weight and quality inspection of cotton is performed through a certified inspection, the particulars of which are governed by national standard for cotton and the *Implementation Measures for Certified Inspection of Deliverable Cotton for Futures (Provisional)*.

The taking of cotton samples is performed by the quality inspection agency and the delivery warehouse shall provide cooperation. Delivery warehouses and registrants have the right to monitor the sampling process.

The load-in re-inspection on cotton shall be conducted in accordance with the *Implementation Measures for Certified Inspection of Deliverable Cotton for Futures (Provisional)*.

**Article 35** After the cotton is loaded in, the delivery warehouse shall record in a file such information as the name, contact person, and contact information of the registrant; load-in quantity; manufacturer; and the storehouse and stack location, which information shall be confirmed by the registrant with signature.

The delivery warehouse and the registrant shall confirm the inspection results with their signatures and seals and are jointly responsible for the quality of the commodity loaded in. Any commodity without the signatures and seals of the delivery warehouse and registrant shall not be delivered against futures products.

**Article 36** Upon the cancellation of a standard delivery warehouse receipt for CF, the pick-up person shall, within ten (10) business days after the Exchange issues the Pick-up Notice, visit the delivery warehouse to complete the pick-up procedures with his ID card, certificate of identity and authority issued by his employer, and the verification code for the Pick-up Notice; verify the quality of the commodity and determine the means of transport; and pay the applicable fees in advance.

Where the pick-up person provides his own transport vehicles, the delivery warehouse shall, as of the date that it is visited by the pick-up person with the Pick-up Notice to arrange for the load-out and the transport vehicles arrive at the delivery warehouse, begin the shipping process and stop charging the storage fees for any commodity already loaded onto such transport vehicles.

Where the pick-up person requests the delivery warehouse to handle the transport of the commodity, the delivery warehouse shall ship the commodity within ten (10) calendar days by trucks or ships or twenty (20) calendar days by railcars from the day when the pick-up person contacts the delivery warehouse with the Pick-up Notice to arrange for the load-out, designates the destination, and pays the relevant fees (including but not limited to rail freight forwarding charges and terminal handling charges) in advance. Any delivery warehouse that is not able to ship the commodity within the prescribed time limit may not charge storage fees for the period after the time limit.

The shipping time limit in the preceding paragraph does not apply if shipment is delayed due to such reasons as a change of the means of transport or shipment date by the pick-up person, missing pick-up documentations, late payment of relevant fees, or special shipping instructions.

**Article 37** A delivery warehouse shall, at the time of load-out, hand over to the pick-up person the Certificate of Certified Inspection corresponding to the cotton delivered. The pick-up person may check the place of production, packaging, batch number, and bale count of each batch before shipment; the results of this check shall be acknowledged by both the pick-up person and the delivery warehouse.

Any pick-up person that objects to the results of certified inspection at load-out may request the Exchange for a one-time re-inspection, the particulars of which are governed by the *Implementation Measures for Certified Inspection of Deliverable Cotton for Futures (Provisional)*.

**Article 38** Where the cotton covered by an expired Certificate of Certified Inspection needs to be re-inspected at the cancellation of the corresponding standard warehouse receipt, the cost of certified inspection and other relevant fees shall be borne by the party requesting the re-inspection.

**Article 39** Any cotton that, due to weathering, shows loss of color grade compared with time of registration may be loaded out as normal and shall not be refused by the pick-up person.

If due to weathering the reflectance (Rd) declines but by no more than 3.9% or the yellowness (+b) increases but by no more than 2.7, the resulting price difference shall be borne by the pick-up person. If reflectance or yellowness exceeds the foregoing range, then the price difference from the change in color grade beyond the foregoing range, calculated in accordance with the premiums and discounts announced by the Exchange for the different color grades, shall be borne by the delivery warehouse.

**Article 40** A delivery warehouse shall repackage any bale that has broken bale ties free of charge at load-out.

**Chapter 4 Risk Management**

**Article 41** CF contract has a minimum Trading Margin rate of 5% of contract value.

The Trading Margin rate of CF contract varies as follows:

|  |  |
| --- | --- |
| **Trading period** | **Trading Margin rate** |
| From listing to the 15th calendar day of the month preceding the delivery month | 5% of contract value |
| From the 16th calendar day to the last calendar day of the month preceding the delivery month | 10% of contract value |
| Delivery month | 20% of contract value |

**Article 42** CF contract has a price limit of ±4% of the settlement price of the preceding trading day.

**Article 43** The position limit of a particular CF contract varies as follows:

|  |  |  |
| --- | --- | --- |
| **Trading period** | **Maximum long position or short position held by a non-futures brokerage Member or client (lot)** | |
| From listing to the 15th calendar day of the month preceding the delivery month | Open interest < 200,000 | 20,000 |
| Open interest ≥ 200,000 | 10% of open interest |
| From the 16th calendar day to the last calendar day of the month preceding the delivery month | 4,000 | |
| Delivery month | 800  (0 for individuals) | |

“Position limit” as used in this Article refers to the maximum size of speculative positions (calculated on a single-counted basis) in a given futures contract that a Member or client is permitted to hold by the Exchange.

**Article 44** Where the Exchange adjusts the Trading Margin rate or price limit of CF contract in accordance with the *Risk Control Rules of Zhengzhou Commodity Exchange* or other rules, such adjusted values shall prevail.

**Chapter 5 Ancillary Provisions**

**Article 45** Any violation of these *Detailed Rules* will be handled in accordance with the *Rules of Zhengzhou Commodity Exchange on Violations* and other applicable Rules of the Exchange.

**Article 46** Any matter not covered by these *Detailed Rules* is governed by the relevant Rules of the Exchange.

**Article 47** The Exchange reserves the right to interpret these *Detailed Rules*.

**Article 48** These *Detailed Rules* take effect on February 6, 2024.

(This English version is for reference ONLY. In case of any inconsistency between the different language versions, the Chinese version prevails.)