**Detailed Rules of Zhengzhou Commodity Exchange for Sodium Hydroxide Futures**

**Chapter 1** **General Provisions**

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

**Article 2** The Exchange, Members, clients, delivery warehouses, factory warehouses, Designated Quality Inspection Agencies, and other participants of the futures market shall comply with these *Detailed Rules*.

**Chapter 2** **Trading**

**Article 3** SH contract has a contract size of 30 metric tons (dry metric ton)/lot.

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

**Article 5** SH contract has a minimum price fluctuation of 1 yuan/metric ton.

**Article 6** SH contract has the following delivery months: every month from January to December.

**Article 7** SH 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** SH 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** SH contract has the following Last Trading Day: the 10th trading day of the delivery month.

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

**Chapter 3** **Delivery**

**Section 1** **General Rules**

**Article 11** SH may be delivered by exchange of futures for physical, delivery with standard delivery warehouse receipts, and delivery with standard factory warehouse receipts.

Rolling Delivery for SH is conducted through either Response Matching or Organized 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** SH contract has a delivery unit of 30 metric tons (dry metric ton).

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

**Article 14** The standard warehouse receipts for SH may be classified into standard delivery warehouse receipts and standard factory warehouse receipts.

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

**Article 15** The standard warehouse receipts for SH registered on or before the 15th trading day of January, March, May, July, September, or November of each year shall be cancelled on or before the 15th trading day of January, March, May, July, September, or November of the same year.

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

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

**Article 18** The benchmark delivery price of SH is the tax-included price at which the benchmark deliverable is delivered through a load-out at a benchmark delivery point onto a truck.

**Article 19** The registrant of standard warehouse receipts for SH shall bear all the expenses incurred before the commodity is transported to the designated storage location in the delivery warehouse as well as the expenses from loading the commodity onto the truck at load-out; the pick-up person shall bear all the expenses incurred after the commodity is loaded onto the truck.

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

**Article 20** Any client that is not qualified to produce, store, use, deal in, or transport sodium hydroxide shall not take part in the delivery of sodium hydroxide.

**Article 21** Any matter in relation to the creation, negotiation, and cancellation of standard warehouse receipts for SH 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 SH is governed by national standards and these *Rules*.

**Article 23** The benchmark deliverable is IL-III liquid sodium hydroxide under *National Standard of the People’s Republic of China “Sodium hydroxide for Industrial Use”* (GB/T 209-2018), without sodium hydroxide content ≥32%.

Dry weight (dry metric ton) of benchmark deliverable = wet weight (wet metric ton) ×0.32.

**Article 24** The substitute deliverable and premium and discount are as follows: IL-I liquid sodium hydroxide under *National Standard of the People’s Republic of China “Sodium hydroxide for Industrial Use*” (GB/T 209-2018), at the premium or discount announced by the Exchange.

Dry weight (dry metric ton) of substitute deliverable = wet weight (wet metric ton) ×0.5.

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

**Article 25** 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 SH.

**Article 26** The Load-in Notice issued by a SH delivery warehouse is valid for fifteen (15) calendar days.

**Article 27** Sodium hydroxide shall be transported in a manner that complies with national regulations on the transport of dangerous chemicals.

**Article 28** At load-in, the Certificate of Quality issued by the manufacturer of the current shipment of product or other written materials which can certify that the product meets the standard for delivery shall be provided to the delivery warehouse. The Certificate of Quality shall indicate the manufacturer, date of production, applicable quality standards, and quality inspection results for the current shipment of product, among other information.

The delivery warehouse shall review the load-in documentations specified in the foregoing paragraphs as well as the registrant’s qualifications to deal in dangerous chemicals.

**Article 29** At the load-in of sodium hydroxide transported by truck, the weight shall be as indicated by the truck scale and the delivery warehouse shall be responsible for the weight inspection. At the load-in of sodium hydroxide transported by railcar or ship, the weight shall be as indicated by the measuring stick into the storage tank of the delivery warehouse. The registrant of standard warehouse receipts may engage a Designated Quality Inspection Agency to perform weight inspection, and the delivery warehouse shall provide cooperation and any expenses incurred shall be borne by the registrant.

Subject to the approval of the Exchange, the weight inspection may be conducted with another sophisticated weighing apparatus recognized by the relevant national quality and technical supervision authority.

**Article 30** The load-in sampling and quality inspection of sodium hydroxide is to be conducted by a Designated Quality Inspection Agency in accordance with national standards, and any expenses (excluding the expenses of the delivery warehouse for cooperating with the inspection) shall be borne by the registrant of the corresponding standard warehouse receipts. The registrant of standard warehouse receipts may engage a Designated Quality Inspection Agency to take samples if coming to an agreement with the delivery warehouse. The Designated Quality Inspection Agency shall issue the inspection results within three (3) business days of completion of sampling and notify the delivery warehouse in a timely manner.

Any registrant or delivery warehouse that objects to the results of load-in quality inspection may request the Exchange for a re-inspection. The specific procedures are governed by the “Load-in Re-inspection of Delivery Warehouse Commodities” section under the *Rules of Zhengzhou Commodity Exchange on Standard Warehouse Receipts*.

**Article 31** The registrant of standard warehouse receipts shall be present at the weight inspection and load-in sampling of sodium hydroxide to monitor the process. 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.

After the commodity 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; the storage tank No.; and sodium hydroxide content, which information shall be confirmed by the registrant with signature.

**Article 32** For any sodium hydroxide that is already loaded in, if the corresponding prospective registrant can provide, and the delivery warehouse recognizes, the inspection report issued by the relevant Designated Quality Inspection Agency which certifies that the sodium hydroxide meets the standard for delivery, the registrant may request to register the corresponding standard warehouse receipts.

**Article 33** Where a tank contains a mixture of sodium hydroxide for futures delivery and sodium hydroxide for spot transactions, the relevant delivery warehouse shall ensure that the entire tank meets the standard for futures delivery. Any sodium hydroxide not meeting this standard may not be stored in a mixed tank or used to register for standard warehouse receipts.

**Article 34** Upon the cancellation of a standard delivery warehouse receipt for sodium hydroxide, 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. The pick-up person shall begin taking delivery of sodium hydroxide within two (2) business days of completion of pick-up procedures, unless otherwise agreed upon by both parties.

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 begin shipping the commodity within ten (10) calendar days by truck or ship or twenty (20) calendar days by railcar 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 35** The load-out weight inspection of sodium hydroxide shall be jointly conducted by the delivery warehouse and the pick-up person in reference to the rules on load-in weight inspection.

Any quantity shortage at load-out shall be made up by the delivery warehouse in a timely manner; failing which, the delivery warehouse shall compensate the pick-up person for the price of the missing commodity based on the highest final settlement price of the SH contract in the nearby month up to and including the date the Pick-up Notice is issued.

**Article 36** Any pick-up person that objects to the quality of the sodium hydroxide at load-out may request the Exchange for a one-time re-inspection with the payment of the re-inspection fees in advance. Such objection shall be raised within ten (10) business days after the Pick-up Notice is issued. The specific procedures are governed by the “Load-out Re-inspection of Delivery Warehouse Commodities” section under the *Rules of Zhengzhou Commodity Exchange on Standard Warehouse Receipts*.

**Section 4** **Delivery with Standard Factory Warehouse Receipts**

**Article 37** The maximum number of standard warehouse receipts registerable by an SH factory warehouse is determined by, and subject to the adjustment of, the Exchange.

A factory warehouse for sodium hydroxide shall provide registration security in accordance with the rules of the Exchange before requesting to register standard warehouse receipts.

**Article 38** Upon the cancellation of a standard factory warehouse receipt for sodium hydroxide, the pick-up person shall, within ten (10) business days after the Exchange issues the Pick-up Notice, visit the factory warehouse to complete the shipping 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.

The pick-up person shall, at the time of pick-up, come to an agreement with the factory warehouse on the shipment speed and the load-out completion time. If no agreement can be reached, the factory warehouse shall comply with the daily shipment volume approved by the Exchange.

In these *Detailed Rules*, “daily shipment volume” refers to the minimum quantity of futures deliverable ready for shipment by a factory warehouse within a 24-hour period. The daily shipment volume of a factory warehouse is determined by and subject to the adjustment of the Exchange.

**Article 39** Unless otherwise agreed with the pick-up person, a factory warehouse shall begin shipping the commodity within three (3) calendar days after the pick-up procedures are handled. The pick-up person may either pick up the commodity personally at the warehouse or request the factory warehouse to ship it on his behalf.

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 40** The load-out weight inspection of sodium hydroxide shall be jointly conducted by the pick-up person and the factory warehouse, with the weight obtained by the factory warehouse being conclusive. Load-out shall be conducted without shortage in weight.

Any quantity shortage at load-out shall be made up by the factory warehouse in a timely manner; failing which, the delivery warehouse shall compensate the pick-up person for the price of the missing commodity based on the highest final settlement price of the SH contract in the nearby month up to and including the date the Pick-up Notice is issued.

The pick-up person shall be present at the delivery location to monitor the delivery process, or be deemed to have accepted the load-out weight.

**Article 41** Unless otherwise agreed with the pick-up person, a factory warehouse shall ensure the commodity delivered meets the quality specifications of the Exchange for delivery.

At the time of load-out, the factory warehouse shall take samples in the presence of the pick-up person before the commodity is loaded onto the pick-up person’s transport vehicles, which samples shall be jointly confirmed and then jointly sealed by both parties. Each sample is to be partitioned into three parts, with one kept by the pick-up person and two by the factory warehouse. The samples shall be retained by the factory warehouse for thirty (30) calendar days after shipment and will serve as the basis for settling potential quality disputes.

**Article 42** Where the pick-up person or factory warehouse objects to the weight or quality of the commodity, they shall jointly determine a solution; failing which, the pick-up person or factory warehouse may request the Exchange for a one-time re-inspection with the requester’s payment of the re-inspection fee and other relevant fees in advance. Objection over weight shall be raised before load-out; objection over quality shall be raised within five (5) business days of load-out. Only the previously retained samples may be used for quality re-inspection. The procedures for the re-inspection are governed by the “Load-out Re-inspection of Factory Warehouse Commodities” section under the *Rules of Zhengzhou Commodity Exchange on Standard Warehouse Receipts*.

**Article 43** Where the factory warehouse or pick-up person fails to ship or pick up the commodity as planned, they shall discuss a solution in a timely manner and appropriately adjust the shipment speed or schedule. The party at fault shall additionally pay a late fee. The amount of late fee = Σ[5 yuan/metric ton (wet metric ton)/day × days delayed × commodity quantity yet to be shipped or picked up].

Where the factory warehouse fails to ship the commodity in full within five (5) calendar days from the agreed final shipment date, the pick-up person may request the factory warehouse to terminate shipment and pay liquidated damages. The amount of liquidated damages = highest final settlement price of the SH contract in the nearby month × commodity quantity yet to be shipped × 120%.

The factory warehouse or pick-up person is not liable for the late fee or liquidated damages if shipment or pick-up is delayed by weather or other force majeure events.

The factory warehouse and pick-up person shall properly keep the commodity shipment schedule, agreements, and shipment- and pick-up-related documentations as the basis for settling potential disputes.

**Article 44** Where more than one pick-up person takes delivery at the same time, the factory warehouse may arrange the shipment in accordance with such factors as the time scheduled with the pick-up persons and the completion time of the pick-up procedures.

**Article 45** Where a factory warehouse defaults on its delivery obligations and fails to pay or fully pay the compensation or liquidated damages, the Exchange may compensate the pick-up person by disposing of the security provided by the factory warehouse.

**Article 46** Upon the completion of shipment and the Exchange’s written confirmation of the fulfillment of quality and quantity obligations by the factory warehouse, the Exchange will return the properties or documents provided by the factory warehouse as security at the factory warehouse’s request.

**Chapter 4** **Risk Management**

**Article 47** SH contract has a minimum Trading Margin rate of 5% of contract value.

The Trading Margin rate of SH contract varies as follows:

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| --- | --- |
| **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 48** SH contract has a price limit of ±4% of the settlement price of the preceding trading day.

**Article 49** The position limit of a particular SH 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 | 3,000 |
| From the 16th calendar day to the last calendar day of the month preceding the delivery month | 500 |
| Delivery month | 50  (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 50** Where the Exchange adjusts the Trading Margin rate or price limit of SH 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 51** 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 52** Any matter not covered by these *Detailed Rules* is governed by the relevant Rules of the Exchange.

**Article 53** The Exchange reserves the right to interpret these *Detailed Rules*.

**Article 54** 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.)