**Detailed Rules of Zhengzhou Commodity Exchange for Cotton Yarn 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 yarn futures (“**CY**”) contract to regulate CY-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** CY contract has a contract size of 5 metric tons/lot (conditioned weight).

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

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

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

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

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

**Chapter 3 Delivery**

**Section 1 General Rules**

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

Rolling Delivery for CY 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** CY contract has a delivery unit of 20 metric tons (conditioned weight). The cotton yarn in the same delivery unit shall be produced in the same batch by the same manufacturer.

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

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

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

**Article 15** The standard warehouse receipts for cotton yarn registered on or before the 15th trading day of February, April, June, August, October, or December of each year shall be cancelled on or before the 15th trading day of February, April, June, August, October, or December of the same year.

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

**Article 17** The delivery warehouses and factory warehouses for CY 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 CY is the tax-included price (including packaging fees) at which the benchmark deliverable is delivered through a load-out from a benchmark delivery point onto a truck.

**Article 19** The registrant of a standard warehouse receipt shall bear all the expenses incurred before the commodity is transported to the designated storage area 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. All expenses incurred before the commodity from a factory warehouse is loaded onto the trucks shall be borne by the factory warehouse; all expenses incurred thereafter shall be borne by the pick-up person.

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** The cost of packaging materials for cotton yarn 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 CY 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 CY is governed by national standards and these *Detailed Rules*.

**Article 23** The benchmark deliverable is 32 Ne (Number English) carded, single-ply gray cone cotton yarn (ring-spun yarn) with the following specifications: linear density of 18.2 tex (±2% tolerance), cotton fiber content of 100%, 14.0 cN/tex ≤ single-strand breaking tenacity < 14.7 cN/tex, 8.5% ≤ coefficient of variation for single-strand breaking force ≤ 9.0%, coefficient of variation for evenness ≤ 15.5%, number of -50% thin places per 1,000 m ≤ 10, number of +50% thick places per 1,000 m ≤ 220, number of +200% neps per 1,000 m ≤ 450, coefficient of variation for weight per 100 m ≤ 2.2%, twist factor of 360-420, and 38 < number of foreign fiber content per 20 kg ≤ 81 (equivalent to 7 < number of foreign fiber content per 200 km ≤ 15).

**Article 24** Cotton yarn whose single-strand breaking tenacity, coefficient of variation for single-strand breaking force, and foreign fiber content meet the following criteria and whose other quality indicators meet the criteria for benchmark deliverable may be used as a substitute deliverable:

(1) 12.0 cN/tex ≤ single-strand breaking tenacity < 14.0 cN/tex or 14.7 cN/tex ≤ single-strand breaking tenacity ≤ 16.2 cN/tex;

(2) 7.5% < coefficient of variation for single-strand breaking force < 8.5% or 9.0% < coefficient of variation for single-strand breaking force ≤ 10.5%; and

(3) number of foreign fiber content per 20 kg ≤ 38 or 81 < number of foreign fiber content per 20 kg ≤ 200 (equivalent to number of foreign fiber content per 200 km ≤ 7 or 15 < number of foreign fiber content per 200 km ≤ 37).

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

**Article 25** For the quality indicators of cotton yarn, the definition and testing method for cotton fiber content are governed by *Textile Industry Standard of the People’s Republic of China “Test Method for Identification of Textile Fibers”* (FZ/T 01057-2007), the definition and testing method for foreign fiber content are governed by *“Textiles – Classifying and Testing Method of Foreign Fiber on the Yarn”* (DB41/T 1662-2018), and the definitions and testing methods for other quality indicators are governed by *National Standard of the People’s Republic of China “Cotton Grey Yarns”* (GB/T 398-2008).

The specific requirements for the test instruments and methods for single-strand breaking tenacity, coefficient of variation for single-strand breaking force, linear density, number of -50% thin places per 1,000 m, number of +50% thick places per 1,000 m, and number of +200% neps per 1,000 m under “*Textiles – Classifying and Testing Method of Foreign Fiber on the Yarn”* and other standards referenced above will be separately announced by the Exchange.

**Article 26** The delivery packaging for cotton yarn is governed by *Textile Industry Standard of the People’s Republic of China “Marking and Packing of Grey Pure Cotton, Pure Chemical Fibre Spun Yarn and Blended Yarn”* (FZ/T 10008-2009). The packaging specifications shall be consistent for each shipment of cotton yarn delivered by the same client, with the date of production indicated on the packaging.

The cotton yarn for delivery shall be packaged in paper tubes, plastic-lined bags, and/or woven polypropylene bags with reinforcing belts across the midsection and sewed shut with packing strings. Cone yarns shall be baled based on a net weight of 25 kg per bale at conventional moisture regains and a variation no greater than ±0.2%. The paper tubes shall be strong enough as to not deform; the ends shall be of the same color for the same lot and the dye shall not readily fade or contaminate the yarns. The plastic-lined bags and woven polypropylene bags shall be whole without damage after being filled with yarns. The packaging for cone yarns shall be secure without exposing the cone yarns and be conducive for loading and transport.

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

**Article 27** 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 CY.

**Article 28** The Load-in Notice issued by a CY delivery warehouse is valid for forty (40) calendar days.

**Article 29** With respect to any request to load in domestically produced cotton yarn at a delivery warehouse, a certificate of inspection issued by the manufacturer of the current shipment of product shall be presented to the delivery warehouse. The certificate of inspection shall indicate the manufacturer, date of production, product name and specifications, net weight, applicable quality standards, and quality inspection results for the current shipment of product, among other information.

**Article 30** A delivery warehouse shall refuse to store a shipment of cotton yarn 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 same delivery unit of product was manufactured in different lots or by different manufacturers;

(2) the moisture regain of a single bale is greater than 9%;

(3) the product was produced more than 180 days ago; or

(4) the packaging does not meet the delivery specifications or shows signs of serious contamination, water stains, fire, or mildew.

**Article 31** A delivery warehouse conducts weight inspection on cotton yarn at load-in.

**Article 32** The sampling, sample preparation, and quality inspection of the cotton yarn for load-in is to be conducted by a Designated Quality Inspection Agency in accordance with national standards. The relevant delivery warehouse shall provide cooperation and the inspection fees shall be borne by the registrant of the corresponding standard warehouse receipts.

The Designated Quality Inspection Agency shall issue and notify the delivery warehouse of the inspection results within ten (10) business days of completing the sampling process.

Any registrant or delivery warehouse that objects to the results of load-in quality inspection may request the Exchange for a one-time 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 33** The registrant of standard warehouse receipts shall be present at the weight inspection and load-in sampling of cotton yarn 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; and the storehouse and stack location, which information shall be confirmed by the registrant with signature.

**Article 34** Upon the cancellation of a standard delivery warehouse receipt for cotton yarn, 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 35** A pick-up person may check the manufacturer, date of production, lot number, and quantity of each lot of cotton yarn before shipment at time of load-out. The results of this check shall be acknowledged by both the pick-up person and the delivery warehouse.

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 CY 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 cotton yarn 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.

**Article 37** Any cotton yarn at load-out that, when compared with the cotton yarn at the time of registration of the standard warehouse receipts, shows a maximum change of 5% in single-strand breaking tenacity, coefficient of variation for single-strand breaking force, coefficient of variation for evenness, and/or coefficient of variation for weight per 100 m; or a maximum change of 5 in number of -50% thin places per 1,000 m, number of +50% thick places per 1,000 m, and/or number of +200% neps per 1,000 m; or a maximum change of 10% in foreign fiber content, may be loaded out as normal and shall not be refused by the pick-up person. The re-inspection fee and other relevant fees shall be borne by the party that has requested for the re-inspection.

Where the change in coefficient of variation for evenness, coefficient of variation for weight per 100 m, number of -50% thin places per 1,000 m, number of +50% thick places per 1,000 m, and/or number of +200% neps per 1,000 m has exceeded the above thresholds but is still within the quality specifications for delivery, the delivery warehouse shall compensate the pick-up person at RMB 300 yuan/metric ton. Where the change in single-strand breaking tenacity, coefficient of variation for single-strand breaking force, and/or foreign fiber content has exceeded the above thresholds but is still within the quality specifications for delivery, the delivery warehouse shall compensate the pick-up person in accordance with the discounts announced by the Exchange. The re-inspection fee and other relevant fees so incurred shall be borne by the delivery warehouse.

Any matter relating to the load-out re-inspection of delivery-warehouse cotton yarn not covered by these *Detailed Rules* are governed by the “Load-out Re-inspection of Delivery Warehouse Commodities” section under the *Rules of Zhengzhou Commodity Exchange on Standard Warehouse Receipts*.

**Article 38** Where the packaging of cotton yarn is found at time of load-out to be showing signs of damage, mildew, water stains, or moth damage, the delivery warehouse shall replace the packaging free of charge.

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

**Article 39** The maximum number of standard warehouse receipts registerable by a CY factory warehouse is determined by, and subject to the adjustment of, the Exchange.

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

**Article 40** Upon the cancellation of a standard factory warehouse receipt for cotton yarn, 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 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 may select the specifications and grade of cotton yarn based on the information published by the factory warehouse. If the selection is within the premiums and discounts range specified by the Exchange, the factory warehouse shall fulfill it; otherwise, the parties shall come to an agreement and settle the transaction themselves.

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 41** 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 duly completed. 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 42** The load-out weight inspection of cotton yarn from a factory warehouse 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 CY 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 43** 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 load-out, the factory warehouse shall present to the pick-up person the Certificate of Quality and Product Inspection Report showing conformance with the standards for delivery.

**Article 44** 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. The request for re-inspection shall be submitted before load-out or delivery.

**Article 45** Where the results of re-inspection show that the cotton yarn meets the delivery specifications but its foreign fiber content requires discount, the pick-up person shall not refuse the commodity and shall come to an agreement with the factory warehouse regarding the resulting losses. Where the parties fail to come to an agreement, the factory warehouse shall compensate the pick-up person in accordance with the rules of the Exchange, where the amount of compensation = highest final settlement price of the CY contract in the nearby month × quantity requiring discount following re-inspection × discount rate. The re-inspection fee and other relevant fees shall be borne by the factory warehouse.

Any matter relating to the load-out re-inspection of factory-warehouse cotton yarn not covered by these *Detailed Rules* are governed by the “Load-out Re-inspection of Delivery Factory Commodities” section under the *Rules of Zhengzhou Commodity Exchange on Standard Warehouse Receipts*.

**Article 46** 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/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 CY contract in the nearby month × commodity quantity yet to be shipped × 120%.

The factory warehouse or the 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 47** 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 48** 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 49** 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.

**Section 5 Delivery with Non-Standard Factory Warehouse Receipts**

**Article 50** Cotton yarn under non-standard factory warehouse receipts refers to the cotton yarn produced by a factory warehouse but not registered at the Exchange under standard factory warehouse receipts.

**Article 51** Cotton yarn under non-standard factory warehouse receipts is delivered by Rolling Delivery, the specific procedures of which are as follows.

(1) The First Delivery Day (matching day)

(i) On any trading day between the first trading day of the delivery month to the trading day before the Last Trading Day, any selling Member who holds both the delivery-month CY contract and the non-standard factory warehouse receipts for cotton yarn may submit a delivery request via the member service system before 2:30 p.m. The selling Member shall provide information on commodities it intends to delivery, including, among others, linear density, single-strand breaking tenacity, coefficient of variation for single-strand breaking strength, coefficient of variation for evenness, number of -50% thin places per 1,000 m, number of +50% thick places per 1,000 m, number of +200% neps per 1,000 m, number of yarn faults per 100,000 m, weight deviation per 100 m, coefficient of variation for weight per 100 m, twist factor, foreign fiber content, conditioned weight (which must be multiples of 20 metric tons), factory warehouse of production, contact information, and pick-up location (which must be the factory warehouse of production). The seller shall propose reasonable premiums and discounts based on the final settlement price.

(ii) A buying Member responds to a selling Member’s delivery request via the member service system. A delivery request is deemed confirmed once a buying Member has responded to it, upon which it may not be cancelled by either party. Any delivery request without a buying Member’s response may be cancelled by the selling Member before 2:30 p.m. on the day of submission, or will be invalidated by the Exchange’s computer system.

(iii) Delivery matching. Following market close on the current day, with respect to any delivery request responded to by a buying Member, the Exchange matches the parties in accordance with the smaller of the following two values: size of positions held by the parties and delivery quantity confirmed by the parties. The seller’s margin will not be released upon the delivery matching of non-standard factory warehouse receipts for cotton yarn.

(2) The Second Delivery Day. The matched parties will receive the Delivery Notice via the Exchange’s member service system.

(3) The Third Delivery Day. The Exchange conducts final settlement for the matched parties.

**Article 52** Non-standard factory warehouse receipts for cotton yarn may not be used for Centralized Delivery.

**Article 53** The final settlement procedures for non-standard factory warehouse receipts are as follows.

(1) Before 9:00 a.m. on the Third Delivery Day, the buying Member shall transfer the full delivery payment (excluding the buyer’s margin) to the Exchange’s account.

(2) Starting from the Third Delivery Day to the last day of the delivery month, the buyer and the seller shall make and take delivery of the cotton yarn under the non-standard factory warehouse receipts in accordance with the rules of the Exchange.

(3) Where delivery is completed on or before the Last Delivery Day (i.e., the last day of delivery month), the Exchange shall, from the matching day to the day following the Last Delivery Day, handle clearing and settlement in accordance with the results confirmed by the seller and the buyer via the member service system. The specific procedures are governed by the provisions on Board Delivery in the *Futures Delivery Rules of Zhengzhou Commodity Exchange*.

Where delivery is not fully completed as of the Last Delivery Day, the following procedures apply:

(1) If the delivery is not fully completed even though the seller has shipped the commodities in accordance with the schedule agreed on or at the normal speed, the delivery may be postponed which the buyer may not refuse. Upon the completion of delivery, the delivery payment will be transferred in accordance with prescribed procedures.

(2) If any party fails to fully complete the delivery in accordance with the schedule agreed on or at the normal speed, the other party may request for termination of delivery. In this case, the non-defaulting party shall submit the Request for Termination of Delivery and the relevant evidence to the member service system, which request shall be confirmed by the party at fault within two (2) business days or, absent such confirmation or any objection within this period, will be deemed as confirmed. The Exchange will then settle with the seller the payment for the commodities actually delivered, and return the remaining payment to the buyer. The parties may then agree on the delivery of the remaining commodities. If an agreement cannot be reached, the party at fault will be held for delivery default.

**Article 54** A buyer and a seller may, within three (3) trading days from the Third Delivery Day (inclusive), discuss details about the delivery of cotton yarn under the non-standard factory warehouse receipts to finalize the settlement method and the method and time of delivery, and enter into a Factory Warehouse Delivery Agreement (CY). The time of delivery agreed upon by the parties may not be later than the Last Delivery Day; the delivery point shall be the factory warehouse that produced the current shipment of cotton yarn.

The buyer shall submit the Factory Warehouse Delivery Confirmation Form (CY) to the member service system through its carrying Member before 1:30 p.m. on the third trading day from the Third Delivery Day (inclusive); the selling Member shall confirm it before 3:00 p.m. on the same day. The parties shall discuss and agree on the contents of the Factory Warehouse Delivery Confirmation Form (CY). A default occurs if the buyer fails to submit the Factory Warehouse Delivery Confirmation Form (CY) or the seller fails to confirm it within the prescribed time limit, in which case the defaulting party shall pay to the non-defaulting party 20% of the contract value in default, as calculated at the final settlement price of the matching day, as the default penalty, upon which the delivery process is terminated.

The buyer and the seller shall check the quantity and quality of cotton yarn on-site before shipment. Upon the buyer’s acceptance of the commodities, the parties shall sign the Factory Warehouse Delivery Acceptance Form (CY) as the basis for determining the quality of the commodities delivered.

**Article 55** Any buyer that objects to the quality of the cotton yarn under non-standard factory warehouse receipts may request the Exchange for an inspection with the payment of the inspection fees in advance. The relevant Designated Quality Inspection Agency shall issue the results of inspection within ten (10) business days from the date (exclusive) it receives the inspection notice from the Exchange, and notify the Exchange of the results in writing. The Exchange will then notify the buyer and the seller accordingly. The results of inspection will serve as the basis for dispute resolution.

Where the results are consistent with the commodity information submitted by the seller, the commodities shall be shipped as normal and the inspection fee and other relevant fees shall be borne by the buyer. Where the results are inconsistent with the commodity information submitted by the seller, the parties may discuss a solution within three (3) business days from the day (exclusive) they receive the notice from the Exchange; failing which, the seller shall pay to the buyer 20% of the contract value in default, as calculated at the final settlement price of the matching day, as the default penalty. The delivery process is then terminated and the inspection fee and other relevant fees shall be borne by the seller.

**Chapter 4 Risk Management**

**Article 56** CY contract has a minimum Trading Margin rate of 5% of contract value.

The Trading Margin rate of CY 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 57** CY contract has a price limit of ±4% of the settlement price of the preceding trading day.

**Article 58** The position limit of a particular CY 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 | 5,000 |
| From the 16th calendar day to the last calendar day of the month preceding the delivery month | 500 |
| Delivery month | 100  (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 59** Where the Exchange adjusts the Trading Margin rate or price limit of CY 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 60** 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 61** Any matter not covered by these *Detailed Rules* is governed by the relevant Rules of the Exchange.

**Article 62** The Exchange reserves the right to interpret these *Detailed Rules*.

**Article 63** 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.)