

# **Measures for the Administration of Designated Delivery Warehouses of Zhengzhou Commodity Exchange**

## **Chapter 1 General Provisions**

**Article 1** These Measures are formulated in accordance with the Contract Law of the People's Republic of China (hereinafter "the PRC"), Trading Rules of Zhengzhou Commodity Exchange and other relevant rules for the purposes of strengthening the management of delivery warehouses of Zhengzhou Commodity Exchange (hereinafter "the Exchange"), regulating physical delivery activities and ensuring normal operations of futures delivery.

**Article 2** A delivery warehouse (hereinafter "warehouse") shall refer to an operating organization appointed by the Exchange to provide storage services for physical commodities used for futures contracts delivery.

**Article 3** The Exchange shall manage the warehouses in accordance with these Measures. The warehouses and their staff shall comply with these Measures. The management of the delivery factories by the Exchange shall be conducted in accordance with that of the delivery warehouses prescribed in these Measures.

## **Chapter 2 Application and Approval**

**Article 4** A warehouse applying for being a delivery warehouse of the Exchange shall satisfy the following requirements:

I. its business license issued by the State Administration of Industry and Commerce shall clearly state the business of storage and/or logistics;

II. the amount of its net assets and registered capital shall satisfy the requirements of the Exchange;

III. it shall have sound financial condition and comparatively strong risk resistance capacity;

IV. it shall have good commercial reputation, sound rules and regulations on warehousing management and have no records of major violations of laws or any cancellation by the Exchange from being a delivery warehouse;

V. it shall accept and abide by the Exchange's regulations prescribed in the Trading Rules of Zhengzhou Commodity Exchange and the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange, etc.;

VI. its senior managers shall have corresponding experiences in warehousing management of commodities for delivery;

VII. its storage conditions shall be suitable for safekeeping the commodities for delivery; its storage capacity shall be of a certain scale and its equipment and measurement apparatus shall be in sound conditions and be able to satisfy prescribed requirements;

VIII. it shall establish corresponding systems for load in, load out, storage, management and inspection of the commodities for delivery;

IX. it shall have convenient transportation conditions and strong abilities for commodity transfer, loading and unloading;

X. it shall get operation qualification for bonded delivery warehouses first before applying for operating bonded delivery business;

XI. other conditions required by the Exchange.

**Article 5** A warehouse applying for being a delivery warehouse of the Exchange shall submit the following documents:

I. the application form;

II. copy of the Business License issued by the State Administration of Industry and Commerce;

III. audit reports in the past two years issued by a registered accounting firm or annual financial reports audited by relevant organizations recognized by the Exchange;

IV. approval documents of the application for being a delivery warehouse issued by the warehouse's superior departments or by its Board of Directors;

V. documents of guarantee required by the Exchange;

VI. in case that the warehouse is operated at leased premises, it shall provide the lease contracts (agreements) signed with the owners of the premises;

VII. documents and brief introduction of the management system of the warehouse;

VIII. other documents required by the Exchange.

The Exchange may adjust the requirements for required documents at its discretion.

**Article 6** The Exchange shall review and approve the applications for being delivery warehouses according to the following procedures:

- I. preliminarily examine the application documents listed in the preceding Article;
- II. conduct on-site inspections over or assessments of the warehouses applying for being delivery warehouses based on the results of the preliminary examination;
- III. select the qualified warehouses and sign the Delivery Warehouse Agreement with them based on the results of the on-site inspections and assessments.

**Article 7** A qualified warehouse shall complete the following procedures upon the receipt of the Exchange's approval:

- I. file the seals used for registering warehouse receipts with the Exchange;
- II. appoint one person to take charge of the futures delivery business, set up a futures delivery department, appoint employees to manage the delivery of commodities and to handle the registered receipts business and file the letter of authorization and the signature of the authorizer with the Exchange;
- III. pay delivery guaranty fund;
- IV. formulate operating procedures or detailed rules in line with the Exchange's requirements according to these Measures;
- V. the administrative staff in charge of the futures delivery business shall attend the training courses on delivery business held by the Exchange;
- VI. other matters prescribed by the Exchange.

**Article 8** A delivery warehouse applying for withdrawing from the delivery business shall submit the Application Letter for Withdrawal from Delivery Business to the Exchange for approval.

**Article 9** A delivery warehouse shall complete the following procedures if it applies for withdrawing from delivery business or is disqualified:

I. load out all commodities rendered for delivery or convert warehouses receipts into physicals;

II. settle all claims and debts with the Exchange;

III. settle all claims and debts with members and clients;

IV. refund the delivery guaranty fund according to the Exchange's regulations.

**Article 10** With respect to the confirmation and cancellation of warehouses' delivery warehouse qualifications and the warehouses' withdrawal from delivery business, the Exchange shall timely notify the members and delivery warehouses.

### **Chapter 3 Rights and Obligations**

**Article 11** The rights of a delivery warehouse shall include:

I. apply to the Exchange for registering receipts according to the Exchange's regulations;

II. charge relevant fees according to the service items, rates and methods approved by the Exchange;

III. propose suggestions to the Exchange with regard to the provisions on the physical delivery;

IV. lease warehousing premises to store commodities for delivery with the approval of the Exchange;

V. other rights prescribed in the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange and the Delivery Warehouse Agreement.

**Article 12** The obligations of a delivery warehouse shall include:

I. comply with the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange and other relevant regulations formulated by the Exchange, accept the Exchange's supervision and management and timely provide relevant information to the Exchange;

II. store the commodities used for delivery according to relevant regulations and ensure the safety of these commodities;

III. provide the commodities used for delivery according to the requirements stated in the registered receipts and the business rules of the Exchange, and assist the owners of the commodities to arrange load out;

IV. keep any commercial information related to the delivery of commodities confidential;

V. accept annual inspection organized by the Exchange;

VI. pay the guaranty fund for delivery;

VII. cooperate with and supervise the designated quality inspection agencies when sampling;

VIII. timely report to the Exchange in case any situation that may endanger the safety of the commodities for delivery or that may incur legal proceedings occurred when changing the entity name, legal representative, registered capital, shareholder or equity structure and warehousing premises; report to the Exchange in advance in case that the land or property of the warehouse is collateralized or used as loan guarantee;

IX. other obligations prescribed in the Detailed Rules for Futures Delivery of Zhengzhou Commodity Exchange, Measures for the Administration of Registered Receipts and Transit Receipts of Zhengzhou Commodity Exchange and the Delivery Warehouse Agreement.

## **Chapter 4 Daily Operations**

**Article 13** Daily operations of a delivery warehouse shall be classified into three phases: load in of commodities, storage of commodities and load out of commodities.

**Article 14** A delivery warehouse shall ensure that the commodities used for delivery have the priority to be loaded in or loaded out.

**Article 15** Storage of the commodities used for delivery shall satisfy the technical specifications of the PRC, the industry and the Exchange.

**Article 16** A delivery warehouse shall attach nameplates for commodities used for delivery and the identification of the nameplates shall be in line with the regulations of the Exchange.

**Article 17** A delivery warehouse shall keep the load-in inspection results according to the Regulation on the Administration of Futures Trading and relevant regulations of the Exchange, and shall report to the Exchange within twenty-four (24) hours after commodities have been inspected, accepted and loaded in.

**Article 18** A client without Pick-up Notice shall not be allowed to enter into the warehouse(s) to check the commodities used for delivery. The clients engaged in wheat and rapeseed oil trading may check the corresponding samples of commodities in the sample rooms of the delivery warehouses.

Management of the sample rooms shall satisfy the regulations and requirements of the Exchange. The Exchange shall conduct unscheduled inspection.

**Article 19** Storage or stacking of the commodities used for delivery in a delivery warehouse shall be conducted according to the technical specifications of the Exchange. The delivery warehouses shall not change the way of storage or stacking of the commodities used for delivery without the permission of the Exchange.

**Article 20** Facilities storing the commodities used for delivery shall meet the prescribed standards. The delivery warehouses shall keep the storage yards and the warehousing areas clean.

**Article 21** A delivery warehouse shall manage the commodities used for delivery according to the storage and maintenance requirements of the commodities used for delivery and the Delivery Warehouse Agreement, ensure the quality and safety of the commodities and keep records on inventory.



**Article 22** A delivery warehouse shall not move the stacks of the commodities used for delivery without the permission of the Exchange; any loss arising from such unauthorized move shall be borne by the delivery warehouse.

**Article 23** A delivery warehouse shall process the load out of commodities timely and carefully, and shall conduct review work according to the following procedures:

I. review the validity of the Pick-up Notice;

II. review whether the content stated in the Pick-up Notice is completely consistent with the corresponding commodities.

If no problem is found during the review, the warehouse shall handle the load out of the commodities used for delivery without delay.

A delivery warehouse shall timely report to the Exchange the consignment progress, changes in the stash numbers and stack locations and the destination of the consignment. The delivery warehouse shall report to the Exchange the load-out procedures after the completion of delivery.

## **Chapter 5 Supervision and Administration**

**Article 24** A delivery warehouse shall purchase full property insurance for all stored commodities used for delivery.

**Article 25** A delivery warehouse shall have an independent ledger to manage the commodities used for delivery.

**Article 26** The Exchange shall conduct unscheduled inspection and annual review on a delivery warehouse and shall have the right to require the warehouse to conduct self-inspection.

During the process of self-inspection, unscheduled inspection and annual review, in case that there is any violation of regulations by the delivery warehouse, the Exchange may order the warehouse to make rectification within a prescribed time period, suspend the load in of the commodities and cancel its qualification as a delivery warehouse. Any losses arising from this shall be borne by the delivery warehouse.

**Article 27** A delivery warehouse shall be prohibited from conducting the following behaviors:

I. fail to manage the commodities used for delivery in accordance with the Exchange's requirements;

II. move or dispose of the commodities used for delivery without the Exchange's permission;

III. conspire with the members or clients to affect or intend to affect the price of the futures market by occupying the warehouse capacity without loading the commodities in;

IV. apply for the registration of warehouse receipts before the commodities are loaded in, the inspection results are issued or all inspection items are completed;

V. overcharge in the delivery process;

VI. create difficulties for the clients deliberately; not be cooperative when commodities are loaded in or out;

VII. refuse or obstruct the Exchange's legal and regulated supervision or inspection;

VIII. practice fraud and affect the normal operation of futures delivery;

IX. other behaviors in violation of the Exchange's regulations.

**Article 28** A delivery warehouse shall pay to the Exchange the delivery guaranty fund to perform obligations. The amount and payment method of the delivery guaranty fund shall be stated clearly in the Delivery Warehouse Agreement. Interest of the delivery guaranty fund shall belong to the delivery warehouse and be calculated once a year according to the demand deposit interest rate published by the PBOC for the same term.

**Article 29** In case that the holders of warehouse receipts cannot exercise or fully exercise their rights of the registered receipts due to the delivery warehouses, the delivery warehouses shall assume the liabilities of compensation; in case that the warehouses fail to compensate the holders in full amount, the insufficient part shall be paid by the Exchange in accordance with relevant regulations, after which the Exchange shall have the right to claim against the delivery warehouses.

## **Chapter 6 Supplementary Provisions**

**Article 30** The Exchange shall handle any violation of these Measures in accordance with the Measures for Penalties for Violations of Zhengzhou Commodity Exchange.

**Article 31** The Exchange shall reserve the right to interpret these Measures.

**Article 32** These Measures shall enter into force from November 9, 2018.

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