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PEANUT KERNEL FUTURES & OPTIONS HANDBOOK FOR OVERSEAS TRADERS

Helping Entities Identify Market Trend
Facilitating Robust Economic Operation



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Part 1

Fundamentals of Physical Peanuts

Part 1 Fundamentals of Physical Peanuts

I. Overview of Peanut Products

(I) Definition and Classification

Peanuts belong to Angiospermae, Dicotyledoneae, Fabales, Leguminosae, Faboideae, and Arachis and are an annual herbaceous plant native to Brazil and Peru in South America. Peanuts were introduced to China from the South Pacific Islands around the late 1400s or early 1500s.

Figure 1-1 Selected Peanut Kernels



(II) Growth Cycle and Growing Regions

Peanuts experience roughly five stages from germination to maturity. From planting to harvest, spring peanuts take approximately 128–175 days, and summer peanuts 90–125 days. The five growth stages are as follows:



Peanuts are grown mainly in Asia, Africa, and the Americas. Asia accounts for more than 60% and Africa about 30% of the world's total peanut growing area. The world's major peanut producers include but are not limited to India, China, the United States, Indonesia, Senegal, Sudan, and Nigeria.

(III) Major Uses

Being fully nutritious, peanuts are rich in protein as well as amino acids, vitamins, and minerals essential to humans and can be used as an important source of dietary nutrition for humans. Most of peanuts are used for their oil value and edible and processing value; other peanuts have a certain level of medicinal value or feeding value.

(1) Oil value. The oil content of peanut kernels is between 45% and 55% (even up to 60% for a few varieties), more than 20% higher than that of rapeseeds and more than two times that of soybeans.

(2) Edible and processing value. Peanuts are an important ingredient for more than 100 food products. In addition to being used for oil extraction, peanuts can be roasted, deep-fried, or cooked for eating, or made into peanut cakes, candies, pastries, and butter.

(3) Medicinal value. Peanuts are good for the human spleen, stomach, lung, and throat, offer additional vital energy for humans, and can be used to treat indications such as malnutrition, spleen and stomach disorders, cough and humid asthma, and lack of human milk.

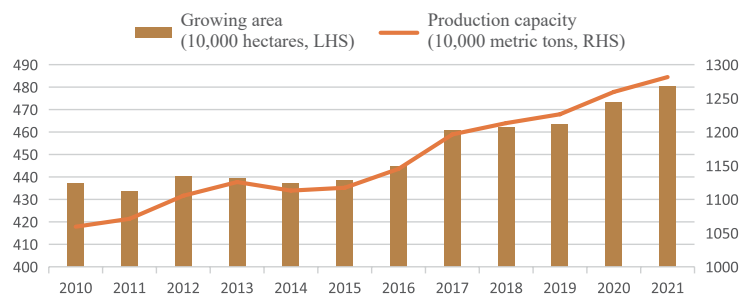
(4) Feeding value. With rich content of protein, amino acids, vitamins, and minerals, and high digestibility and palatability, peanut cakes and meals are excellent concentrate feeds for livestock, poultry, and fish.

II. Supply and Demand of Peanuts

(I) Production Capacity

China is the world's largest peanut producer. In 2021, the country boasted a peanut growing area of 4.81 million hectares and a peanut output of 12.82 million metric tons, making up 16.1% and 36.4%, respectively, of the world's total. China's peanut output has been growing rapidly in recent years due to increasingly greater guidance and support for the growing of peanuts. From 2010 to 2021, China's peanut output surged from 10.59 million metric tons to 12.82 million metric tons, an increase of 21.0% (see Figure 2-1).

Figure 2-1 China's Peanut Growing Area and Production Capacity



Source: National Bureau of Statistics of China

In China, Henan and Shandong are the top two peanut producers. In 2021, their combined production capacity reached 6.09 million metric tons, representing 47.5% of the national total.

Table 2-1 China's Peanut Production Capacity in 2021 by Province

Region	Production Capacity (10,000 metric tons)	Proportion of National Total
Henan	412	32.1%
Shandong	197	15.4%

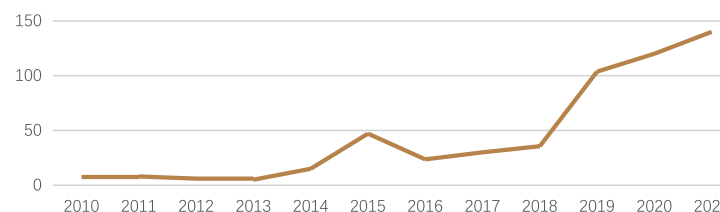
Jilin	81	6.3%
Hebei	81	6.3%
Guangdong	67	5.3%
Hubei	60	4.7%
Liaoning	58	4.5%
Anhui	53	4.2%
Sichuan	50	3.9%
Guangxi	50	3.9%
Others	171	13.3%
National Total	1282	100%

Source: China National Grain and Oils Information Center

(II) Imports and Exports

According to the data of the China National Grain and Oils Information Center, China's peanut imports stayed below 10,000 metric tons before 2009, generally increased after 2009, and peaked at about 1.4 million metric tons in 2021 (see Figure 1-3). The vast majority of China's peanut imports are from Africa, which contributed to more than 75% of the country's total peanut imports in 2021.

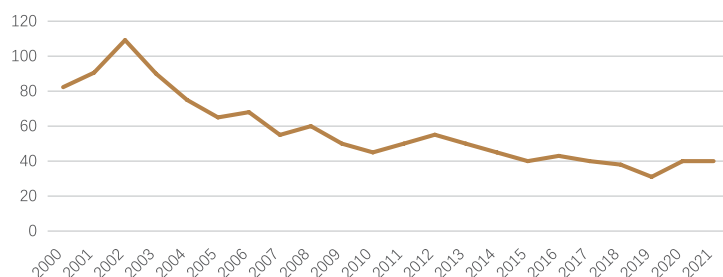
Figure 2-2 China's Peanut Imports 2010-2021 (10,000 metric tons)



Source: China National Grain and Oils Information Center

China's peanut exports have experienced two periods. The first is the rapid growth period from 1978 to 2002, when the country's peanut exports continued to increase, reaching a record high of 1.09 million metric tons in 2002. The second is the decline period from 2003 to 2021, when the country's peanut exports gradually dropped due to a shrinking export share caused by the soaring export capacity of Brazil and the United States since 2003. Currently, China's annual peanut exports are only about 400,000 metric tons (see Figure 1-4).

Figure 2-3 China's Peanut Exports 2000-2021 (10,000 metric tons)



Source: China National Grain and Oils Information Center

(III) Consumption

In terms of consumption trend, the market demand for peanuts and related products shows steady growth. In terms of consumption region, China's peanuts are consumed mainly by Shandong and Henan and evenly by all other regions. The two provinces are home to many peanut processing enterprises and hubs for the pressing and processing of peanuts, with downstream products and peanut products being sold to other regions.

(IV) Trades

The mode of trade of peanuts mainly involves the purchase

of peanuts by brokers and traders from farmers which, after removal of foreign matters and hulls, are screened and sold according to the different needs of downstream enterprises.

In terms of trade pattern, China's peanut industry is characterized by the production of peanuts in Northeast China and Shandong and Henan and processing of peanuts in Shandong and Henan due to the concentration of peanut production and processing regions. Peanuts are transported mainly by truck and partly by ship.

Figure 2-4 China's Peanut Trade Flow



(V) Storage

Generally, peanuts can be stored at room temperature from October until the next April. However, peanuts are unable to withstand high temperatures. Therefore, peanuts need to be stored at constant temperature warehouses after May as the weather warms up.



Part 2

Peanut Futures and Option Contracts and Trading Rules

Part 2 Peanut Futures and Option Contracts and Trading Rules

I. Standard Peanut Futures and Option Contracts

(I) Peanut Futures Contract

On February 1, 2021, the (“peanut”) futures (“PK”) contract was listed on the Zhengzhou Commodity Exchange (the “Exchange”) upon the approval of the State Council and the China Securities Regulatory Commission (the “CSRC”).

Table 3-1 Peanut Futures Contract Specifications

Product	Peanut Kernel (“peanut”)
Trading Unit	5 metric tons/lot
Price Quotation	Chinese yuan (CNY) per metric ton
Minimum Price Fluctuation	CNY 2 /metric ton
Daily Price Limit	±4% of the settlement price of the previous trading day and as provided for in the Measures for the Administration of Futures Trading Risk Control of Zhengzhou Commodity Exchange
Minimum Trading Margin	5% of contract value
Contract Month	January, March, April, October, November, and December
Trading Hours	Monday to Friday (except public holidays) 9:00 a.m. - 11:30 a.m. 1:30 p.m. - 3:00 p.m. (Beijing time) Other trading hours specified by Zhengzhou Commodity Exchange

Last Trading Day	The 10th trading day of the delivery month
Last Delivery Day	Delivery with standard factory warehouse receipts: the 13th trading day of the delivery month Board delivery: the 10th day of the month following the delivery month
Grade and Quality	See the Futures Delivery Rules of Zhengzhou Commodity Exchange.
Delivery Point	Designated by Zhengzhou Commodity Exchange
Delivery Method	Physical delivery
Product Code	PK
Listing Exchange	Zhengzhou Commodity Exchange

(II) Peanut Option Contract

The Exchange has completed the design of the peanut option contract based on the PK contract (see Table 3-2 and Table 3-3).

Table 3-2 Peanut Option Contract Specifications

(Applicable to option contracts with contract month earlier than that of PK2401)

Underlying	PK Contract
Contract Type	Call Option, Put Option
Trading Unit	One PK contract
Price Quotation	Chinese yuan (CNY) per metric ton
Minimum Price Fluctuation	CNY0.5/metric ton
Price Limit	The same as the price limit of the PK contract
Contract Months	The two consecutive nearby months of the underlying futures contract; the peanut option contracts of the following months will be listed on the second trading day after the open interest (on a single-counted basis) in the underlying futures contract exceeds 5,000 lots after clearing.

Trading Hours	Monday to Friday (except public holidays) 9:00 a.m. - 11:30 a.m. 1:30 p.m. - 3:00 p.m. (Beijing time) Other trading hours specified by Zhengzhou Commodity Exchange
Last Trading Day	The 3rd trading day of the month immediately preceding the delivery month of the underlying futures contract and other dates specified by Zhengzhou Commodity Exchange
Expiration Date	The same as the last trading day
Strike Price	Based on the previous trading day's settlement price of the PK contract, nine in-the-money option contracts, one at-the-money option contract, and nine out-of-the-money option contracts will be listed according to the strike price interval. The strike price interval is CNY50/metric ton when the strike price is less than or equal to CNY5,000/metric ton; CNY100/metric ton when the strike price is greater than CNY5,000/metric ton and less than or equal to CNY10,000/metric ton; CNY200/metric ton when the strike price is greater than CNY10,000/metric ton.
Exercise Style	American style. Buyers may submit an exercise request during trading hours on any trading day before the expiration date and an exercise or abandonment request before 3:30 p.m. on the expiration date.
Product Code	Call option: PK-contract month-C-strike price Put option: PK-contract month-P-strike price
Listing Exchange	Zhengzhou Commodity Exchange

Table 3-3 Peanut Option Contract Specifications
 (Applicable to option contracts with contract month later than or same with that of PK2401)

Underlying	PK Contract
Contract Type	Call Option, Put Option
Trading Unit	One PK contract

Price Quotation	Chinese yuan (CNY) per metric ton
Minimum Price Fluctuation	CNY0.5/metric ton
Price Limit	The same as the price limit of the PK contract
Contract Months	The two consecutive nearby months of the underlying futures contract; the Peanut option contracts of the following months will be listed on the second trading day after the open interest (on a single-counted basis) in the underlying futures contract exceeds 5,000 lots after clearing.
Trading Hours	Monday to Friday (except public holidays) 9:00 a.m. - 11:30 a.m. 1:30 p.m. - 3:00 p.m. (Beijing time) Other trading hours specified by Zhengzhou Commodity Exchange
Last Trading Day	The 3rd trading day of the month immediately preceding the delivery month of the underlying futures contract and other dates specified by Zhengzhou Commodity Exchange
Expiration Date	The same as the last trading day
Strike Price	The range of strike price is the previous trading day's settlement price of the underlying futures contract plus or minus 1.5 times the current day's price limit. The strike price interval is CNY50/metric ton when the strike price is less than or equal to CNY5,000/metric ton; CNY100/metric ton when the strike price is greater than CNY5,000/metric ton and less than or equal to CNY10,000/metric ton; CNY200/metric ton when the strike price is greater than CNY10,000/metric ton.
Exercise Style	American style. Buyers may submit an exercise request during trading hours on any trading day before the expiration date and an exercise or abandonment request before 3:30 p.m. on the expiration date
Product Code	Call option: PK-contract month-C-strike price Put option: PK-contract month-P-strike price
Listing Exchange	Zhengzhou Commodity Exchange

II. Basic Trading Rules

(I) Margin Requirements

As is the case for most of the existing products, a PK contract is subject to a Trading Margin rate which varies depending upon the trading periods. Specifically, a PK contract has a minimum Trading Margin rate of 5% of contract value from listing to the 15th calendar day of the month preceding the delivery month; 10% of contract value from the 16th calendar day to the last calendar day of the month preceding the delivery month; and 20% of contract value during the delivery month.

Table 4-1 Trading Margin Rate of PK Contract

Product	From listing to the 15th calendar day of the month preceding the delivery month	From the 16th calendar day to the last calendar day of the month preceding the delivery month	Delivery month
Peanut	5% of contract value	10% of contract value	20% of contract value

(II) Price Limit

A PK contract has a price limit of $\pm 4\%$ of the settlement price of the previous trading day.

If the price limit is hit consecutively, the price limit and Margin rate of a PK contract will be raised in the same manner as applicable to the existing products. In the event of the consecutive occurrence of a same-direction limit-locked market, the risk management measures for a PK contract will be the same as those for the existing products.

(III) Position Limit

A PK contract is subject to a variable position limit, the design of which is made with reference to that of the position

limits for the products listed on the Exchange. Specifically, first, the position limit is applicable to non-futures brokerage Members and clients, but not to futures brokerage Members; second, the position limit is lowered during any month other than the delivery month and raised during the delivery month. The position limit of a PK contract varies as follows:

Table 4-2 Position Limit of PK Contract for Non-futures Brokerage Members or Clients (lot)

Product	From listing to the 15th calendar day of the month preceding the delivery month	From the 16th calendar day to the last calendar day of the month preceding the delivery month	Delivery month
Peanut	3,000	500	100



Part 3

Mechanisms and Arrangements for
Introduction of Overseas Traders

Part 3 Mechanisms and Arrangements for Introduction of Overseas Traders

The scheme for the introduction of overseas traders to the trading of peanut futures and options covers trader suitability requirements, participation requirements for and filing of overseas brokers, participation mode and account opening, clearing, delivery, and risk management.

I. Trader Suitability Requirements

The trading of peanut futures and options is subject to trader suitability requirements. According to the requirements of the Measures for the Administration of Futures Trader Suitability Requirements of Zhengzhou Commodity Exchange, traders shall perform a comprehensive assessment of their understanding of the market and products and their risk control, risk tolerance, and financial strength, and make a prudent decision on whether to participate in the trading of peanut futures and options,

Both overseas individual and institutional clients may participate in the trading of peanut futures and options.

Domestic and overseas traders who intend to open a new account to participate in the trading of peanut futures and options shall meet the trader suitability requirements.

(I) Specific Trader Suitability Requirements

1. An institutional client shall meet the following requirements:

(1) having related personnel with basic knowledge of futures trading and understanding of the relevant rules of the Exchange;

(2) having records of no less than twenty (20) executed simulated orders for futures or option contracts on any domestic trading venue for no less than ten (10) trading days; or records of no less than ten (10) executed orders for futures contracts, option contracts, or other centrally cleared derivatives, within the past three (3) years, on any domestic trading venue; or records of no less than ten (10) executed orders for futures contracts, or option contracts, or other centrally cleared derivatives, within the past three (3) years, on any overseas trading venue regulated by its competent futures regulatory authority that has a memorandum of understanding on regulatory cooperation with the CSRC (“Recognized Overseas Trading Records”);

(3) having an available balance of no less than RMB 100,000 or foreign currency equivalent in each of its margin accounts during the five (5) consecutive trading days before applying for any trading code or trading right;

(4) having sound internal control, risk management, and other futures trading management rules;

(5) having no material adverse credit record, or having never been subjected to a ban from the futures market by any competent regulatory authority, or having never been prohibited or restricted from engaging in futures trading pursuant to any law, rule or regulation, or the rules of the Exchange; and

(6) meeting other requirements specified by the Exchange.

2. An individual client shall meet the following requirements:

(1) having full capacity for civil conduct;

(2) having basic knowledge of futures trading and understanding of the relevant rules of the Exchange;

(3) having records of no less than twenty (20) executed simulated orders for futures or option contracts on any domestic trading venue for no less than ten (10) trading days; or records of no less than ten (10) executed orders for futures contract, option

contracts, or other centrally cleared derivatives, within the past three (3) years, on any domestic trading venue; or Recognized Overseas Trading Records of no less than ten (10) executed orders within the past three (3) years;

(4) having an available balance of no less than RMB 100,000 or foreign currency equivalent in each of its margin accounts during the five (5) consecutive trading days before applying for any trading code or trading right;

(5) having no material adverse credit record, or having never been subjected to a ban from the futures market by any competent regulatory authority, or having never been prohibited or restricted from engaging in futures trading pursuant to any law, rule or regulation, or the rules of the Exchange; and

(6) meeting other requirements specified by the Exchange.

The Exchange may adjust the trader suitability requirements in accordance with market conditions.

(II) Exemptions from Suitability Assessment

If a client with the trading right to any other product which is listed on a domestic trading venue and subject to trader suitability requirements applies for a trading code from the Exchange or any trading right, an account-opening institution may choose not to assess whether the client has basic knowledge of futures trading or futures trading experience; if the margin requirement for the said product is not less than RMB 100,000 or foreign currency equivalent, the account-opening institution may choose not to assess the adequacy of the balance of the client's margin account.

Any client that has obtained any trading right to a particular product listed on the Exchange by passing the suitability assessment may automatically obtain from the same account-opening institution, without any assessment, the trading rights to other products listed on the Exchange.

If an account-opening institution applies for a trading code on behalf of the following clients or grants any trading right to such clients so that the clients can participate in the trading of products listed on the Exchange subject to the trader suitability requirements, the account-opening institution may choose not to subject the clients to the requirements on the basic knowledge of futures trading, trading experience, and available balance of margin account:

(1) professional investors as defined in the Measures for the Suitability Management of Securities and Futures Investors;

(2) clients having obtained the trading right to a particular product subject to trader suitability requirements and applying to any other account-opening institution for the trading right to such product;

(3) clients having records of executed orders for futures contracts, option contracts, or other centrally cleared derivatives for no less than fifty (50) trading days within the past one (1) year on any domestic trading venue, or Recognized Overseas Trading Records; and

(4) market makers, special institutional clients, and other traders recognized by the Exchange.

Special institutional clients refer to futures companies, securities companies, fund management companies, trust companies, and other financial institutions, as well as social security companies, qualified foreign institutional investors, and other institutional clients whose assets are required by laws, administrative regulations, and ministry-level rules to be managed in separate accounts.

II. Participation Requirements for and Filing of Overseas Brokers

An overseas broker refers to a financial institution that is

legally established outside the People's Republic of China and qualified by the regulatory authority of its jurisdiction of domicile to accept funds and trading orders from traders and to conduct futures trading on behalf of traders in its own name

(I) Requirements

An overseas broker that intends to engage a futures brokerage Member to conduct futures trading on its behalf shall meet the following requirements:

1. be a financial institution that is legally established outside the People's Republic of China and qualified by the futures regulatory authority of its jurisdiction of domicile to accept funds and trading orders from traders and to conduct futures trading on behalf of traders in its own name;
2. having continued its operations for more than one (1) year;
3. accept the supervision of the futures regulatory authority of its jurisdiction of domicile which has a memorandum of understanding on regulatory cooperation with the CSRC;
4. having a sound governance structure and internal control system and conducting business operations in compliance with laws and regulations;
5. having net capital of no less than RMB 30 million or foreign currency equivalent;
6. having business facilities and technical systems which comply with applicable technical standards and are in sound operating conditions; and
7. meeting other requirements specified by the Exchange.

(II) Filing

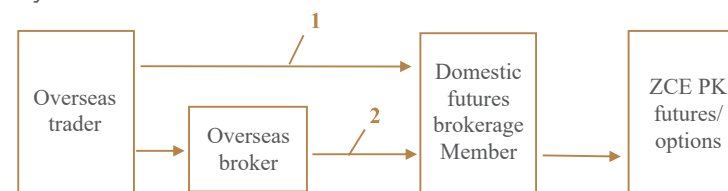
A futures brokerage Member and an overseas broker shall enter into a written engagement agreement, which shall contain such terms and conditions as set out in the Measures

for the Administration of the Engagement of Futures Brokerage Members by Overseas Brokers for Futures Trading. Upon execution of the engagement agreement, the futures brokerage Member shall file with the Exchange before conducting futures trading. The Exchange will issue a filing number and notify the futures brokerage Member of the same in writing if approving the filing, or if not, provide a written explanation therefor.

III. Participation Model and Account Opening Process for Overseas Traders

(I) Participation Models

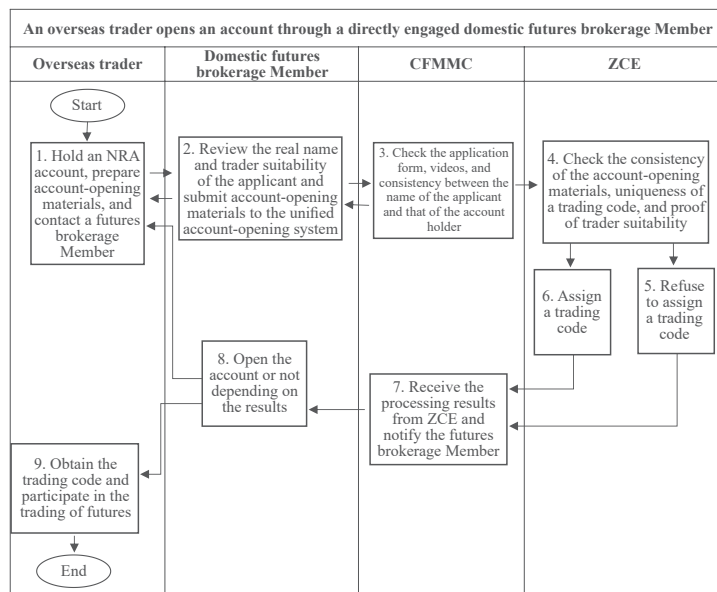
To participate in the trading of a specified product, an overseas trader may open an account through a directly engaged domestic futures brokerage Member, or through any domestic futures brokerage Member engaged by an overseas broker, i.e., the sub-agent model. However, the overseas trader shall not open an account through a single domestic futures brokerage Member according to both the above approaches or through a single domestic futures brokerage member engaged by two overseas brokers.



(II) Account Opening Process

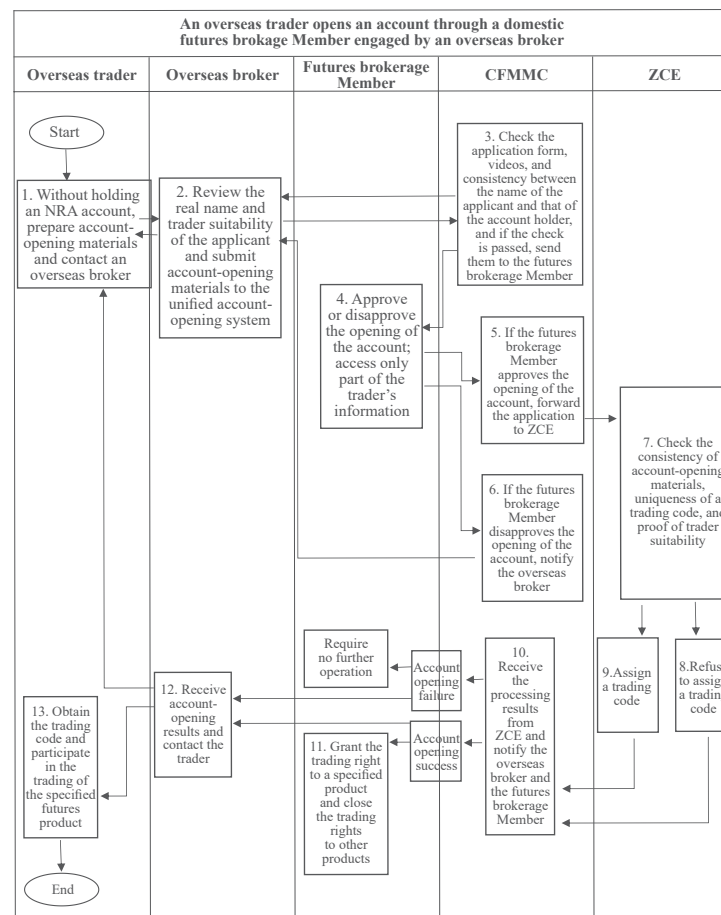
1. Through a directly engaged domestic futures brokerage Member

Member



A futures brokerage Member and overseas broker shall, on behalf of a trader, apply for or deregister a trading code or modify the trader's materials relating to the trading code via the unified account-opening system according to CFMMC's applicable account-opening rules.

2. Through a domestic futures brokerage Member engaged by an overseas broker



IV. Clearing Rules

(I) Fund Accounts

An overseas broker, or an overseas trader who directly participates in the trading of futures on the Exchange through a domestic futures brokerage Member, shall open special clearing accounts in RMB and foreign currencies with futures margin depository banks (“depository banks”). An overseas trader who participates in the trading of futures on the Exchange through an overseas broker may open accounts with any overseas banks for clearing with the overseas broker.

The Exchange and its futures brokerage Members shall open their respective special clearing accounts and special margin accounts in foreign currencies with depository banks for handling the receipt, payment, conversion, and transfer of funds in connection with the trading of specified futures products. The Exchange and its futures brokerage Members shall, as required, file their business in specified futures products with the local offices of the State Administration of Foreign Exchange and submit on time their balance of payments and other statistics to such local offices.

(II) Use of Foreign Currencies

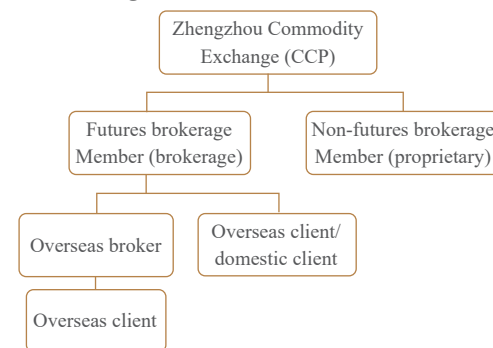
Overseas traders may use foreign currencies as margin. The types, conversion and applicability of such foreign currencies shall be determined, adjusted, and announced by the Exchange. Currently, US dollars are the foreign currency available to be used as margin. The market value of US dollars is calculated based on the daily RMB central parity rate published by the China Foreign Exchange Trade System (CFETS) and at a discount rate of 0.05%.

Foreign currencies used as margin are daily marked to market. By the market close on a trading day, the market

value of foreign currencies will be calculated based on the RMB central parity rate published by CFETS on the previous trading day. At daily clearing, the market value of a Member’s foreign currencies used as margin will be re-calculated based on the daily RMB central parity rate, and the value of such foreign currencies used as the margin of such Member will be automatically adjusted.

(III) Clearing Process

After the introduction of overseas traders to the trading of peanut futures and options, RMB remains the base clearing currency and continues to be used for clearing between the Exchange and its Members and between Members and their clients. However, clients may choose to use USD as the currency for the withdrawal of funds. The amount of RMB funds converted from foreign currencies cannot be withdrawn in RMB.



The Exchange will clear for its futures brokerage Members and non-futures brokerage Members; the futures brokerage Members will clear for their domestic and overseas clients and any overseas brokers who have engaged them; the overseas brokers will in turn clear for their overseas clients.

At daily clearing, the Exchange will clear for its Members

in RMB and send the clearing results to them. A Member's system will automatically calculate the gains or losses of each of its overseas clients and overseas brokers based on the actual results of their trading in specified futures products on each trading day and generate a daily foreign currency conversion quota for each of them. The fourth Monday of each month is the cut-off date for the conversion of foreign currencies. If such cut-off date falls on a trading day, and the calculation of the cumulative net gains or losses of an overseas client or overseas broker cannot continue, a Member shall complete the foreign currency conversion procedures by the market close of the next trading day based on the daily foreign currency conversion quota for such overseas client or overseas broker.

V. Delivery Rules

According to Article 6, Chapter 1 of the Measures for the Administration of Futures Delivery of Zhengzhou Commodity Exchange, any client that is not able to deliver or accept special/general VAT invoices or other documents recognized by the Exchange shall not make or take delivery. Therefore, overseas clients cannot conduct delivery against peanut futures for the time being.

VI. Risk Management Rules

To participate in the trading of peanut futures and options, overseas traders will be subject to the same risk management rules as applicable to domestic clients, including but not limited to position limit, trading limit, larger position reporting, and forced liquidation. The Exchange will apply the same rules to domestic and overseas traders when dealing with abnormal trading behaviors, violations, and accounts involving actual controlling relationship.

