

# **SPREAD TRADING RULES**

## **(AMENDMENT)**

### **Chapter 1 GENERAL PROVISIONS**

Article 1 These Spread Trading Rules are made, subject to the General Exchange Rules of the Shanghai Futures Exchange, to ensure the integrity of the spread trading activities on or through the Shanghai Futures Exchange, or the Exchange.

Article 2 Spread trading and speculative trading is recognized as non-hedge trading. The schedule of proportion and customers of position limit for each futures contract in different periods of time, as prescribed in the Risk Management Rules of the Shanghai Futures Exchange, is applicable to non-hedging positions. The non-hedging positions of each non-futures firm member, or non-FF member, or customer, will be expanded by the spread positions of the non-FF member or the customer.

Article 3 The spread trading as referred to in these Spread Trading Rules refers to the trading types of calendar spread and inter-commodity spread. The term "calendar spread" means spread trading among different contracts on the same product and the term "inter-commodity spread" means spread trading among contracts on different products.

The suites of inter-commodity spread will be announced by the Exchange, in due course.

Article 4 Spread positions include regular month spread positions ( for copper, aluminum, zinc, lead, nickel, tin, steel rebar, wire rod, hot-rolled coil, gold, silver, natural rubber and bitumen, regular month refers to the period from date of contract listing to the last trading day of the 2nd month prior to the delivery month, while for fuel oil, he refers to the period from date of contract listing to the last trading day of the 3rd month before the delivery month) and the nearby delivery month spread positions (for copper, aluminum, zinc, lead, nickel, tin, steel rebar, wire rod, hot-rolled coil, gold, silver, natural rubber and

bitumen, nearby delivery month refers to the 1st month before the delivery month and the delivery month, while for fuel oil, it refers to the 2nd month prior to the delivery month and the 1st month before the delivery month)

Article 5 Each member or customer who engages in spread trading shall comply with these Spread Trading Rules.

## **Chapter 2 APPLICATION AND APPROVAL FOR SPREAD POSITIONS**

Article 6 Each customer in application for spread positions shall submit an application to any one of his carrying futures-firm members, or the FF members, where he owns an account with. That FF member shall review the application and make submission on the customer's behalf to the Exchange pursuant to these Spread Trading Rules. Each non-FF member will apply to the Exchange on his own account.

Article 7 Each non-FF member or customer shall submit the following documents in application for the regular month spread positions of each product:

- i) Application and Approval Form for Regular Month Spread Positions of the Shanghai Futures Exchange;
- ii) spread trading schedule (such as source of funds, size of position, calendar spread or inter-commodity spread); and
- iii) other documents as required by the Exchange.

The regular month spread position, as approved by the Exchange, will remain valid for the product that the member or customer applies for.

Article 8 Each non-FF member or customer shall provide the following documents in application for the nearby delivery month spread positions of each contract:

- i) Application and Approval Form for Nearby delivery month Spread Positions of the Shanghai Futures Exchange;
- ii) spread trading schedule (such as source of funds, size of position, for calendar spread or inter-commodity spread, arrangements of position addition or reduction, will of delivery, etc. );
- iii) a price divergence analysis of the contract that the member or customer applies for; and
- iv) other documents as required by the Exchange.

Article 9 The Exchange will determine the size of the regular month spread positions with regard to the applicant's credit profile, trading history and his application of the spread positions. The size of regular month spread positions that are approved by the Exchange shall not exceed what each member or customer applies for.

Article 10 The Exchange will determine the size of the nearby delivery month spread positions with regard to the applicant's credit profile, trading history, open interests, size of warranted stocks, and take into consideration of whether there is a price divergence of the contract that the member or customer applies for. The size of nearby delivery month spread positions that is approved by the Exchange shall not exceed what the member or customer applies for.

Article 11 The application for the nearby delivery month spread positions shall be submitted between the 1st trading day of the 2nd month prior to the delivery month of the contract (for fuel oil, he refers to the 1st trading day of the 3rd month prior to the delivery month) and the last trading day of the 1st month prior to the delivery month (for fuel oil, it refers to the 1st trading day of the 2nd month prior the delivery month). Otherwise, the Exchange will not accept the application.

### **Chapter 3 SPREAD TRADING**

Article 12 Total non-hedging positions held by the same customer at different FF members shall not exceed the size as prescribed by the Risk Management Rules of the Shanghai Futures Exchange for the proportion of position limit for such futures contract in different periods of time in addition to the spread positions of the same periods of time, or the total size as prescribed by the Risk Management Rules of the Shanghai Futures Exchange for the size of position limit in addition to the spread positions of the same periods of time.

### **Chapter 4 REGULATION**

Article 13 The Exchange shall complete the review of the application for spread positions within five (5) trading days upon receipt of such application.

Article 14 Each non-FF member or customer, when in need of spread position adjustment, shall submit an application to the Exchange for the spread position adjustment in due time.

Article 15 The Exchange regulates each non-FF member or customer for his use of the spread positions that the Exchange approves, and retains the right to reduce the spread positions of the non-FF member or customer.

Article 16 In the event that any change of material importance happens to any non-FF member or customer during the period he holds the spread positions, he shall, in due time, report to the Exchange, and the Exchange may, at its discretion, reduce the spread positions of the member or customer.

Article 17 In the event that the total non-hedging positions that any non-FF member or customer holds exceed the size as prescribed by the Risk Management Rules of the Shanghai Futures Exchange for the proportion of position limit for such futures contract in different periods of time in addition to the spread positions of the same periods of time, or the total size as prescribed by the Risk Management Rules of the Shanghai Futures Exchange for the size of position limit in addition to the spread positions of the same periods of time, he shall, prior to the closing of the 1st trading session on the next trading day, make adjustments on their own account. Any failure to make such adjustments by the prescribed time limit or below the size described above will be subjected by the Exchange to forced position liquidation.

Article 18 Any fraudulence, or any violation of laws, regulations or the Exchange's rules by any non-FF member or customer, at the time of his applying for spread positions or trading, will result in the Exchange's rejection of his such application as for spread positions, adjustment or cancellation of the spread positions that the Exchange has approved, or make the Exchange resort to actions such as restriction on his opening up new positions, close-out of positions by the prescribed time limit, forced position liquidation, as the Exchange deems necessary, pursuant to the provisions in the Enforcement Rules of the Shanghai Futures Exchange.

Article 19 Any improper use of the spread positions by any non-FF member or customer, to influence or attempt to influence market price, will subject the member or customer to compliance interviews, warnings, reduction or cancellation of the spread positions that the

Exchange has approved, or make the Exchange resort to actions such as restriction on his opening up new positions, close-out of positions by the prescribed time limit, forced position liquidation as the Exchange deems necessary, pursuant to the provisions in the Enforcement Rules of the Shanghai Futures Exchange.

Article 20 The Exchange may set the fee schedule for assessment of margins and transaction fees on spread trading.

## **Chapter 5 MISCELLANEOUS**

Article 21 The Exchange reserves the right to interpret these Spread Trading Rules.

Article 22 The provisions in the Risk Management Rules of the Shanghai Futures Exchange with regard to the non-hedging positions under circumstances of reduction of positions and adjustments in multiples of nearby delivery month positions shall be applicable to the speculative positions as prescribed by these Spread Trading Rules.

Article 23 These Spread Trading Rules are effective as of MMDDYY, and for the nickel and tin futures, the listing day.

**Application and Approval Form for Regular Month Spread Positions  
Of  
The Shanghai Futures Exchange**

Application No. ( to be filled out by members according to the application No. as shown on the printed comments on approval ) :

Member Name		Member Code	
Customer Name		Customer Code	
Nature	<input type="checkbox"/> Individual customer <input type="checkbox"/> General corporate customer <input type="checkbox"/> Special corporate customer	Contact & Phone Number	
Comments on application for spread positions			
Contract symbol	Size applied for ( in lots )		
<p>I myself/The Company hereby undertake(s) that the supporting documents provided are authentic and valid.</p> <p style="text-align: center;">Seal/Signature by the customer : Signature of person in charge : Date:</p>			



I myself/The Company hereby undertake(s) that the supporting documents provided are authentic and valid.

Seal/Signature by the customer :

Signature of person in charge :                      Date:



