上海期货交易所
SHANGHAI FUTURES EXCHANGE

# 镍期货及期权国际化

The Internationalization of Nickel Futures and Options Q&A

## 65问

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# CONTENTS

# INTERNATIONAL PRODUCT IN ACTION: TRADING, CLEARING, DELIVERY



## International Trading of Nickel Futures and Options





## International Clearing Process for Nickel Futures and Options



## International Delivery Process of Nickel Futures and Options

# THE BASICS: NICKEL PRODUCTS AND SPOT MARKET

# Basic Properties of Nickel

## 01 What type of metal is nickel?

Nickel (Ni), atomic number 28, has an atomic weight of 58.69, a melting point of 1,453 °C, and a boiling point of 2,730 °C.

Nickel is a silvery-white metal that offers a unique combination of physical and chemical properties, such as being hard, ductile, and ferromagnetic.

For its high malleability, strong corrosion resistance, and magnetic properties, nickel is widely used across the steel, machinery, construction, and chemical industries. It is commonly found in applications like stainless steel, batteries, alloys, and electroplating, making it a critical, indispensable resource for emerging strategic industries.

## 02 How is nickel classified?

Primary nickel products mainly consist of nickel pig iron, refined nickel, and nickel salts such as nickel sulfate.

Based on their nickel content, these primary products can be further categorized into Grade I nickel and Grade II nickel.

Grade I (also known as refined nickel or pure nickel) has a higher nickel content, typically 99.8% or more.

Grade II has a lower nickel content and includes products such as ferronickel, and nickel sulfate.

## 03 What are the main uses of nickel?

The main uses of nickel are stainless steel production, battery manufacturing, and electroplating and alloy casting. The particular nickel products used vary by industry:

- Stainless steel: Ferronickel and refined nickel
- Battery: Nickel sulfate and high-purity refined nickel
- Electroplating: Electroplating-grade nickel sulfate and refined nickel
- Aerospace: Nickel-based high-temperature alloys
- Chemical: Nickel catalysts

The demand for nickel has soared in the battery sector in recent years. Notably, high-nickel NMC batteries have created a high demand for nickel sulfate.

Nickel is also used for products such as coins, electronic components, and pigments.

## 04 How is nickel produced?

Nickel production processes diverge into two main paths based on whether it is sulfide nickel ore or oxide (or laterite) nickel ore.

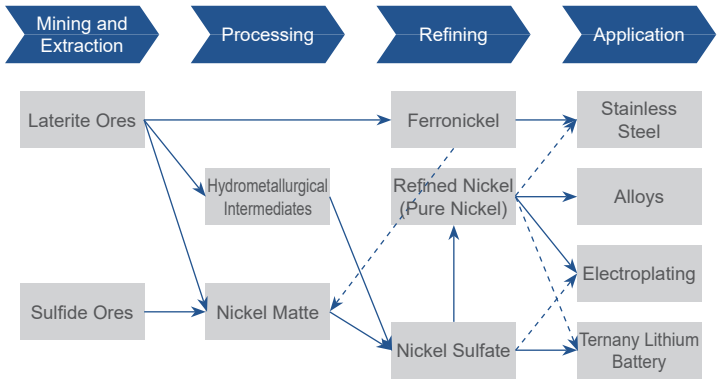
- Sulfide Nickel Ore:
  Sulfide ore is mined, crushed, and ground before being concentrated through flotation. The concentrate undergoes roasting to remove sulfur, converting it into nickel oxide. It is then smelted in an electric furnace to produce nickel matte with a nickel content of 70%–75%. The matte is refined in a converter to remove impurities, cast

into an anode plate for electrowinning, and finally subjected to electrolytic refining (using a nickel sulfate electrolyte) to yield high-purity electrolytic nickel (≥ 99.96%).

- Oxide Nickel Ore:
  Oxide ore contains nickel in an oxidized state. For this reason, low-grade ore is processed through a rotary kiln for drying, followed by electric furnace reduction and smelting, to directly produce ferronickel (used for stainless steel). High-grade ore utilizes High-Pressure Acid Leaching (HPAL) to extract a nickel-cobalt solution. This solution is processed via hydrometallurgical steps like solvent extraction and crystallization to produce intermediate products such as nickel sulfide (e.g., nickel matte) or nickel sulfate, a portion of which is further converted into refined nickel.

While the sulfide ore process is technologically mature,yet high-grade resources continue to face increasing scarcity. . Laterite ore accounts for over 60% of global reserves. Despite its complex hydrometallurgical process, it is better aligned with the decarbonization goals of the new-energy or electric vehicle industry.

**Figure 1: The Nickel Industry**



# Nickel Spot Market

## 05 How are nickel resources distributed worldwide?

Nickel ore resources are broadly categorized into two types: sulfide ore and oxide (or laterite) ore. Between the two, laterite ore accounts for over 60% of the world's total identified reserves.

These two ore types have distinct geographical distribution patterns: laterite ore is predominantly found in low-latitude regions such as Indonesia, the Philippines, Papua New Guinea, Cuba, Brazil, and Madagascar. Sulfide ore is mostly concentrated in high-latitude countries like Australia, Canada, and Russia.

According to the 2025 data from the U.S. Geological Survey (USGS), the global nickel reserves exceed 140 million metric tons of metal. Indonesia holds the most significant share at about 62 million metric tons, accounting for roughly 44.3% of the world's total. Other leaders include Australia and Brazil.

# 06 How are nickel resources distributed in China?

China has limited nickel resources, primarily in the form of sulfide ore.

China has about 4.4 million metric tons of nickel reserves, or 3.4% of the global total. In particular, 86% of China's nickel resources are found in three provinces: Gansu, Qinghai, and Xinjiang. The Gansu Province alone holds approximately 60% of the national total, with the Jinchang Nickel Mine being the largest domestic deposit.

Due to insufficient domestic resources, China has been importing large quantities of both nickel ore and refined nickel products, mainly from Indonesia and the Philippines.

In recent years, Chinese companies have been acquiring overseas resources, in particular by investing in numerous nickel mining and smelting projects in Indonesia. These resources are then transported back to China in the form of Primary nickel and intermediate products, effectively addressing the domestic supply gap.

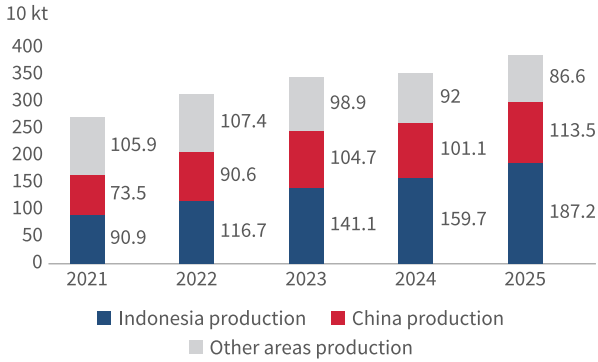
# 07 What is the state of nickel production worldwide?

Indonesia and China are respectively the world's largest and second-largest producers of primary nickel.

The Commodities Research Unit (CRU) reports that global primary nickel production has steadily grown from 2.703 million metric tons in 2021 to 3.873 million metric tons in 2025. The top five producers—Indonesia, China, Canada, Japan, and Russia—collectively account for 87.7% of the world's total output.

By country, Indonesia's output has grown rapidly since 2020, primarily driven by ferronickel and hydrometallurgical projects invested by foreign-funded companies. China has a product structure as broad as ferronickel, refined nickel, and nickel sulfate. Other producers such as Russia and Canada are mainly focused on refined nickel.

**Figure 2: Global Nickel Production, 2021-2025**
Source: CRU



# 08 What is the state of nickel production in China?

China’s primary nickel products mainly consist of nickel pig iron, refined nickel, and nickel salts (primarily nickel sulfate). According to CRU data, the total output of these products in 2025 reached approximately 1.135 million metric tons, up 12.2% year-on-year.

This overall growth was driven primarily by a surge in refined nickel output, In contrast, production of nickel pig iron and nickel salts saw modest declines respectively.

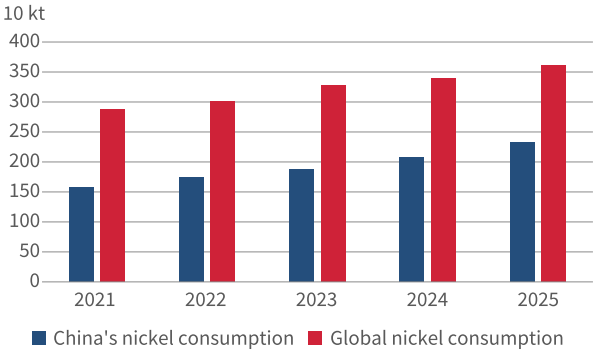
Notably, many manufacturers, particularly in the new energy sector, have invested in refined nickel production lines since 2022. This trend has rapidly increased the number of domestic refined nickel producers from 8 to 23, leading to successive annual growth in both production capacity and output.

China currently has a highly concentrated refined nickel industry, with the top ten companies accounting for over 90% of the total production capacity (CR10 > 90%).

# 09 What is the state of nickel consumption worldwide?

Global primary nickel consumption has maintained steady growth in recent years, though at a slowing pace due to macroeconomic headwinds and a high base effect. According to CRU, total consumption in 2025 stood at around 3.580 million metric tons, marking a 3.4% increase year-on-year. The top five consumers—China, Indonesia, Japan, the United States, and South Korea—collectively accounted for nearly 84.9% of global demand. In terms of consumption structure, nickel use is primarily concentrated in stainless steel, batteries, electroplating, and casting alloys. The stainless steel industry remains dominant, representing about 66% of demand, while the power battery sector (16%) is the major growth driver.

**Figure 3: Global and China's Nickel Consumption, 2021-2025**
Source: CRU



# 10 What is the state of nickel consumption in China?

As the world's largest nickel consumer, China saw steady growth in primary nickel consumption in 2025, primarily driven by the stainless steel industry and supplemented by the battery, alloy, and electroplating sectors. CRU data shows China's primary nickel consumption reached about 2.285 million metric tons—a 10.3% YoY increase representing 64.4% of global demand. Specifically:

The stainless steel industry, the dominant end-user, accounting for approximately 67.3%, fueled primarily by the growth in crude stainless steel production.

In the battery sector, the proportion is approximately 19.6%, benefiting from the sustained increase in downstream electric vehicle sales and the overall positive trend in the ternary precursor market, leading to continuous growth in nickel consumption for ternary precursors.

Alloys maintained stable demand for nickel, particularly for high-temperature alloys, buoyed by aerospace and defense needs, accounting for approximately 9.1%. Domestic steelmakers have also achieved notable technological advances in nickel-based high-temperature alloys, which are expected to unlock further demand.

Electroplating showed a visible recovery in nickel consumption, accounting for approximately 3.5%. This is supported by export rebounds and increased demand for automotive electronics in the smart-NEV era, especially for precision electroplating materials.

# 11 What is the state of nickel trade worldwide?

Global nickel trade continues to expand steadily. Annual trade volume has exceeded 4 million metric tons in recent years.

Indonesia is the world's largest nickel supplier. Its share of global nickel product exports—primarily ferronickel, intermediates, and stainless steel—continues to rise, with China being its largest market.

China is a central hub in global nickel trade, importing over 2 million metric tons of raw materials each year while exporting downstream products like battery materials and stainless steel.

Countries such as Russia, Canada, and Australia are also significant suppliers of nickel and mainly target the European and Asian markets.

While the stainless steel sector remains the primary driver of nickel trade, the fast-maturing new-energy sector has significantly increased the trade of battery-related materials, such as nickel sulfate and ternary precursors. Global nickel resource flow and pricing are collectively influenced by international trade policies and market supply-demand dynamics.

# 12 What is the state of refined nickel import and export in China?

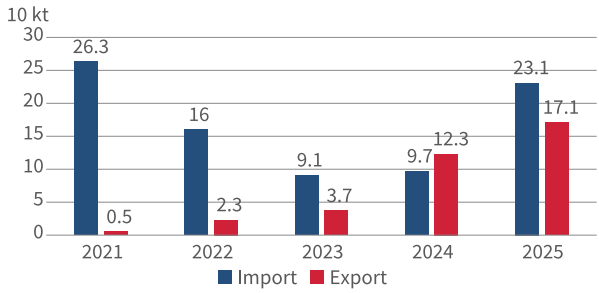
Despite having one of the world's largest nickel smelting capacities, China is unable to keep up with the massive demand from downstream sectors like stainless steel and new energy. Consequently, China imports not only vast quantities of nickel ore but also smelting products including ferronickel, refined nickel, and nickel sulfate.

In response, domestic refined nickel producers and traders have actively engaged in import and export trade. Some have successfully registered their nickel products as deliverable brands. By coordinating operations across domestic and international markets, these companies are expanding their sales channels, optimizing inventories, and effectively hedging against price volatility and exchange rate risks.

In recent years, China's refined nickel imports and exports have risen steadily. In 2025, cumulative imports reached 231,000 metric tons (a 138.1% year-on-year increase), while exports totaled 171,000 metric tons (up 39.0% year-on-year).

**Figure 4: China's Refined Nickel Import and Export, 2021-2025**

Source: General Administration of Customs



# 13 What is the state of refined nickel trade and logistics in China?

China has a well-developed West-to-East supply chain for refined nickel, where resources in Northwest China are transported to and consumed in Southeast China.

Major production regions in the Northwest, specifically Gansu and Xinjiang, supply over 60% of the nation's refined nickel, supplemented by rising capacity in Zhejiang. Their outputs are mostly transported by rail and road networks to three consumption hubs.

- **East China (Shanghai, Jiangsu, and Zhejiang)**: As a production hub for stainless steel and EV batteries, this region consumes over 50% of the country's nickel resources.
- **South China (Guangdong)**: This is where Foshan's stainless steel and home appliance industries are located. It is also a distribution hub for battery materials.
- **North China (Shandong and Tianjin)**: This region primarily serves the high-end manufacturing and electroplating industry.

Nickel trade in China is mostly based on long-term agreements, with spot trading filling the remaining gaps. In particular, major nickel consumers typically secure supply through annual agreements and address the remaining needs through spot trading platforms and traders.

The domestic market convention is to price nickel based on the SHFE nickel futures price adjusted by a corresponding premium or discount, which greatly improves pricing efficiency and transparency.

## 14 What factors affect the nickel price?

The global nickel price is shaped by an interplay of supply-demand fundamentals, production costs, and the broader macroeconomic environment.

On the supply side, mining policies and capacity changes in major producing countries play a pivotal role in shaping global supply expectations. On the demand side, consumption by the stainless steel and EV battery sectors is the biggest price support.

Production costs are an equally vital factor, especially when fluctuations in energy prices and mining costs are gradually transmitted through the industry to affect final prices. Additionally, macroeconomic uncertainties—such as geopolitical conflicts—also influence market expectations to some extent.

# 15 What is the price of nickel in recent years?

Every segment of China's nickel industry has grown rapidly in recent years, fueling a sustained production and consumption boom. However, due to global supply-demand dynamics, shifting domestic policies, and surging demand from the new energy sector, nickel prices have experienced significant volatility.

According to historical volatility data, from 2021 to 2025, the annual volatility consistently surpassed 20%, with the exception of 2025. In 2022, the volatility once surged to a temporary high of 53.11% amid multiple disruptions. As market sentiment later stabilized and supply-demand fundamentals gradually improved, volatility began a broad decline. By 2025, nickel prices stabilized, with annual volatility narrowing to 15.20%. Against this backdrop, the use of futures, options, and other derivatives for price risk management has become standard practice for a growing number of companies across the industry.

**Figure 5: China's Nickel Spot Price, 2021–2025**
Source: Shanghai Metals Market (SMM)

# MARKET STRUCTURE: CHINA'S FUTURES AND OPTIONS MARKET

# Nickel Futures Market

## 16 What is the state of the SHFE nickel futures market since the product's listing?

Since its listing on the Shanghai Futures Exchange (SHFE) on March 27, 2015, SHFE nickel futures has been a smooth-running and highly liquid market. Notably, the market's price discovery and hedging functions have helped nickel companies to stabilize business operations and optimize production decisions.

In terms of price discovery, Shanghai nickel futures prices have shown close linkage with the spot price. Because of high correlation coefficient between the most active futures contract and the spot price, SHFE nickel futures has become a major pricing benchmark for spot nickel in China.

In terms of contribution to the real economy, the product's hedging efficiency has improved significantly. Industrial companies are active participants of the SHFE nickel futures market and can use it in an effective manner to mitigate spot price volatility.

# 17 What are the specifications of the SHFE nickel futures contract?

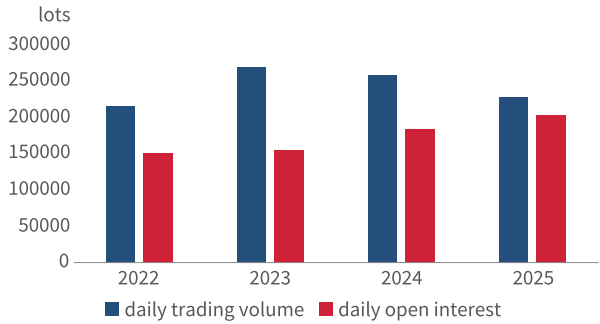
The SHFE nickel futures contract is as follows:

| Product | Nickel |
|---|---|
| Contract Size | 1 metric ton/lot |
| Price Quotation | RMB yuan/metric ton |
| Minimum Price Fluctuation | 10 yuan/metric ton |
| Daily Price Limit | Within 4% of the settlement price of the preceding trading day |
| Listed Contracts | Monthly contract for the most recent 12 months |
| Trading Hours | 9:00 a.m. to 11:30 a.m., 1:30 p.m. to 3:00 p.m., and other hours specified by SHFE |
| Last Trading Day | 15th day of the contract month (postponed accordingly if it is a legal holiday in China and subject to separate adjustment and announcement by SHFE if it falls in the Spring Festival month or another month specially designated by SHFE) |
| Delivery Period | Two consecutive business days after the last trading day |
| Grade and Quality Specifications | Standard: Ni9996 electrolytic nickel as prescribed in National Standard GB/T 6516-2025, with total nickel and cobalt content not less than 99.96%<br>Substitute: Ni9997 electrolytic nickel as prescribed in National Standard GB/T 6516-2025, with total nickel and cobalt content not less than 99.97%; or Ni9999 electrolytic nickel as prescribed in National Standard GB/T 6516-2025, with total nickel and cobalt content not less than 99.99%; or nickel conforming to ASTM B39-79 (2023), with nickel content not less than 99.8% |
| Delivery Venue | SHFE-designated delivery storage facilities |
| Minimum Trading Margin | 5% of contract value |
| Settlement Type | Physical delivery |
| Delivery Unit | 6 metric tons |
| Contract Symbol | NI |
| Listing Exchange | Shanghai Futures Exchange (SHFE) |

# 18 What is the size of the SHFE nickel futures market in recent years?

The Shanghai nickel futures market has seen sustained expansion in recent years, reflected in deepening market participation. Trading volume-wise, the average daily trading volume climbed to a recent high of 270,300 lots in 2023 and has since remained consistently above 200,000 lots. Meanwhile, open interest has followed a clear upward trajectory. The average daily open interest rose steadily from 151,400 lots in 2022 to exceed 203,200 lots in 2025, reaching a four-year peak.

**Figure 6: Size of SHFE Nickel Futures Market in Recent Years**
Source: SHFE website

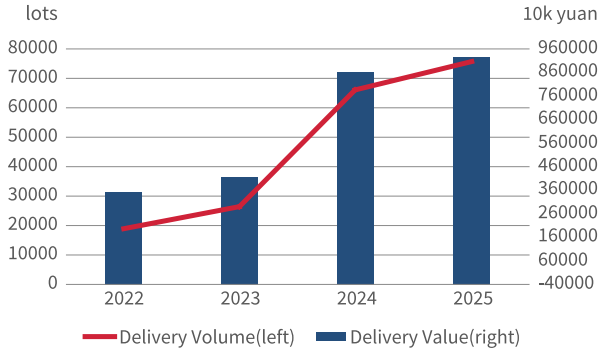


# 19 What is the delivery state of the SHFE nickel futures in recent years?

In recent years, the delivery scale of SHFE nickel futures has continued to grow. In terms of volume, deliveries surged from 18,900 lots in 2022 to 75,800 lots in 2025—an increase of more than threefold. By value, they also expanded steadily, climbing from RMB 3.756 billion in 2022 to RMB 9.229 billion in 2025. This ongoing expansion reflects a stronger connection between the futures and spot markets, highlighting the growing role of futures in supporting physical market activities.

**Figure 7: Delivery of SHFE Nickel Futures in Recent Years**

Source: SHFE website



## 20 What developments have been observed in the deliverable resources of SHFE nickel futures in recent years?

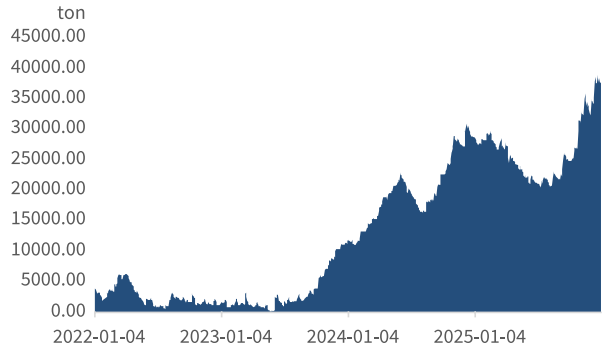
In recent years, the deliverable resources for China's nickel futures market have expanded markedly, reinforcing the futures market's role in serving the real economy.

Looking specifically at SHFE nickel standard warrants, the yearend volume surged from 1,145 metric tons in 2022 to 37,666 metric tons in 2025—a more than thirtyfold increase over four years. At the same time, the SHFE has progressively optimized its deliverable product system, attracting several electrodeposited nickel brands from newenergy material enterprises to complete registration. This broadening of registered brands has greatly diversified deliverable resources while maintaining ample standard warrant inventories.

Together, these developments enhance the efficiency of price discovery and hedging in the futures market, providing stronger support for the robust operation of industrial enterprises.

**Figure 8: SHFE Nickel Futures Inventory in Recent Years**

Source: SHFE website




## 21 Which are the major international nickel futures trading venues?

Currently, the global nickel futures market is led by the London Metal Exchange (LME) and SHFE. Related contracts are also available on India's Multi Commodity Exchange (MCX). Since their launch in 2015, SHFE nickel futures have achieved consistent growth in market scale while continuously deepening their market functions. Today, the SHFE has established itself as one of the world's most important venues for nickel futures trading.

## 22 How is the price of nickel futures used in global nickel production, consumption, and trade?

In the highly market-driven and globalized nickel industry, enterprises commonly rely on futures markets for price risk management.

Upstream miners and smelters use futures hedging to lock in favorable sales prices, duly mitigating risks from potential price declines. Midstream traders base spot trade quotations and inventory management on futures prices, adjusting procurement and sales strategies through flexible use of futures contracts. Downstream consumers employ buy-side hedging to fix raw material costs, ensuring stable production margins.

In spot trade pricing, domestic and international markets have widely adopted a futures-benchmarked pricing model, where counterparties typically reference futures prices as a baseline, with premiums or discounts negotiated based on product quality, transportation costs, and other factors. Consequently, the final spot price is structured as “futures price plus premium/discount.”

By participating in the price discovery and risk management in the futures markets, enterprises can effectively manage price volatility, optimize inventory structures, and enhance capital utilization efficiency.

# Nickel Options Market

## 23 When were SHFE nickel options launched? What option types are available?

SHFE launched SHFE nickel options on September 2, 2024, as derivative contracts on its nickel futures. SHFE nickel options are American style, which can be exercised on any trading day before the expiration date. Both calls and puts are available, with strike prices covering various at-the-money, out-of-the-money, and in-the-money levels. SHFE nickel options and futures form a complete risk management toolbox that meets the diverse hedging needs of industrial clients.

# 24 What are the specifications of the SHFE nickel option contract?

The SHFE nickel option contract is as follows:

| Underlying Asset | Nickel Futures (NI) contract (1 metric ton) |
|---|---|
| Contract Type | Call option and put option |
| Contract Size | One NI contract |
| Price Quotation | RMB yuan/metric ton |
| Minimum Price Fluctuation | 2 yuan/metric ton |
| Daily Price Limit | Same as that for the underlying futures contract |
| Contract Month | Option contracts will be listed for the nearest two consecutive months and, when the open interest of the underlying futures contract, after daily clearing, has reached a specific threshold to be separately announced by SHFE, for later months on the second trading day thereafter |
| Trading Hours | 9:00 a.m. to 11:30 a.m., 1:30 p.m. to 3:00 p.m., and other hours specified by SHFE |
| Last Trading Day | The fifth-to-last trading day of the month before the delivery month of the underlying futures contract, subject to adjustment by SHFE in case of a national holiday and other special circumstances |
| Expiration Date | 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 500 yuan/metric ton if strike price ≤ 50,000 yuan/metric ton; 1,000 yuan/ metric ton if 50,000 Yuan/ton < strike price ≤ 100,000 yuan/metric ton; 2,000 yuan/ metric ton if strike price > 100,000 Yuan/metric ton |
| Option 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 |
| Contract Symbol | Call option: NI-Contract Month-C-Strike Price<br>Put option: NI-Contract Month-P-Strike Price |
| Listing Exchange | Shanghai Futures Exchange (SHFE) |

## 25 How large is the SHFE nickel options market?

SHFE nickel options debuted on September 2, 2024. In the first year (from listing to September 2, 2025), 9.19 million lots were traded at a total turnover of RMB 6.6 billion; the cumulative open interest was 7.73 million lots.

## 26 How are the price limits for option products set?

SHFE applies price limits to options trading. The limit price for an option contract is calculated as follows:

(1) Upper limit price = Option contract's settlement price of the previous trading day + (futures contract's settlement price of the previous trading day × futures contract's upper limit rate);

(2) Lower limit price = Max (option contract's settlement price of the previous trading day − futures contract's settlement price of the previous trading day × futures contract's lower limit rate, option contract's minimum price fluctuation).

# 27 How are nickel options and nickel futures correlated?

Nickel options and futures share a highly interconnected and interdependent relationship, fundamentally because nickel futures are the underlying asset for nickel options. This connection manifests in three respects:

- **Price correlation.** The price of nickel options (i.e., premium) is directly affected by the movements of the nickel futures price. Generally, rising futures prices drive up call option premiums and drive down put option premiums. The reverse is also true.
- **Risk interdependence.** As options are nonlinear derivatives, their risk and valuation metrics (including delta, gamma, and other Greeks) are calculated and managed based on the price behavior of their underlying futures.
- **Strategic integration.** Market participants usually combine both instruments to create sophisticated risk management or income enhancement strategies, such as protective put (long put and long underlying futures to mitigate downside risk).

Through these, nickel options bring more granular risk management tools and a wider range of trading strategies into the nickel futures market. Together, these two instruments create a multi-dimensional derivatives ecosystem that significantly improves overall market depth and resilience.

# AN INTERNATIONAL MARKET: BACKGROUND AND DESIGN

# Making Nickel Futures an International Product: Background and Significance

## 28 How is globalization reflected in the nickel spot market?

The nickel spot market is highly globalized and interconnected, which is reflected in three key dimensions:

**Resource distribution:** Nickel ore resources are highly concentrated in a few countries, primarily Indonesia and Australia, while major consumption centers are located in China, Europe, and North America. This geographic mismatch forms the foundation for global trade.

**Production network:** Asia has emerged as the central hub of global nickel supply chains, with Indonesia and China playing pivotal roles. While China remains the world's primary nickel consumer, Indonesia is reshaping market dynamics through its expanding stainless steel sector, supported by consistent demand from Europe and North America.

**Trade Patterns:** Trade has evolved beyond traditional nickel ore to include intermediates such as ferronickel, nickel matte, and nickel-cobalt hydroxide, as well as finished products like refined nickel and nickel sulfate. This product diversification has fostered a sophisticated global trade network characterized by deep specialization and high interconnection. As a result, any changes—whether from policy changes in producing nations, regional output variations, or shifting end-user requirements— spread rapidly across the entire supply chain, highlighting the market's fully integrated and globally connected nature.

# 29 How has the nickel industry matured under the backdrop of globalization?

Driven by globalization, the nickel industry has evolved into a sophisticated modern industrial system, marked by advanced processes, diverse product offerings, and efficient cross-sector coordination.

**First, Technological Advancements.** The industry has achieved transformative progress through parallel development of smelting technologies. While sulfide nickel ores maintain traditional pyrometallurgical processing, laterite ores now utilize both pyrometallurgical (e.g., RKEF) and hydrometallurgical (e.g., HPAL) processes. In particular, breakthroughs in laterite processing have enabled cost-effective production of intermediates like ferronickel, nickel matte, and nickel-cobalt hydroxide (MHP). This not only reshapes global supply of nickel resources, but also establishes laterites as the dominant feedstock.

**Second, Product Diversification.** The supply chain features flexible conversion pathways, supporting a comprehensive product matrix, which spans from refined nickel and ferronickel to nickel intermediates to nickel sulfate. This diversity creates vital upstream-downstream linkages, optimizing resource utilization and enhancing market adaptability.

**Finally, Efficient Cross-Sector Coordination.** The global nickel industry operates as a highly integrated supply chain, with seamless synergy between upstream mining and smelting and downstream applications in production of stainless steel, ternary cathode, and new energy vehicles. Such efficient coordination demonstrates the industry's maturity within today's globalized economy.

## 30 What is the background for releasing the internationalized version of SHFE rules?

The internationalized SHFE rules took effect on August 8, 2025. The rules are designed to boost China's high-level opening-up and help build Shanghai into an international financial center. It also aligns with China's increasingly prominent role in the global commodity market, enhances the global influence of its commodity prices, and attracts overseas participants to the Chinese futures market.

The initiative aims to create a safe, standardized, and foreseeable rule framework that aligns with the Chinese context and international practices so as to make the relevant products fully accessible to overseas traders, accelerate the internationalization of RMB, and lays a solid foundation to open more products to the global market in the future.

# 31 What has been changed in the internationalized version of SHFE rules?

The internationalized SHFE rules contain five major changes.

(1) Market access: The updated rules contain specific market entry requirements, rights and obligations, and eligibility requirements for overseas traders, as well as the assessment and management responsibilities of account-opening institutions.

(2) Trading: The revision strengthens the management of trading seats and trading codes for overseas traders; optimizes hedging, arbitrage, and options trading rules; prepares for the possible future addition of market makers; and improves the information disclosure system.

(3) Risk management: The revision provides more detailed position limit and large trader reporting thresholds, and clarifies the circumstances for forced position liquidation and the rules for the reporting of actual control relationship and for the handling of abnormal trading behaviors.

(4) Clearing: The revision affirms RMB as the clearing and settlement currency, permits foreign currencies to be used as margin, clarifies how overseas traders may access Members' clearing services, and strengthens account and capital management.

(5) Delivery: The updated rules state what constitute non-deliverable positions and how they are handled. In particular, accounts holding such positions will be imposed a monetary penalty and the positions will be closed out without proceeding to delivery.

# 32 What is special about the rules for SHFE nickel as a Specified Domestic Product?

To support China's national strategy of high-level opening-up, help build Shanghai into an international financial center, and enhance the global influence of its commodity prices, nickel futures and options have been approved by the China Securities Regulatory Commission (CSRC) as Specified Domestic Products.

Accordingly, SHFE has revised its *Nickel Futures Rules of the Shanghai Futures Exchange* to introduce three key changes:

(1) Market participants: The rules have added Overseas Special Participants (OSPs), Overseas Intermediaries, and overseas Clients as market participants, giving them trading access to nickel futures.

(2) Position liquidation: A position transfer service for nickel futures has been established, clarifying the eligible applicants, procedures, and subject matter of position transfers.

(3) Risk control: The rules are detailed to specify position limits, position multiples, and forced position reduction requirements for overseas participants.

# INTERNATIONAL PRODUCT IN ACTION: TRADING, CLEARING, DELIVERY

# International Trading of Nickel Futures and Options

## 33 How can overseas investors access SHFE nickel futures and options?

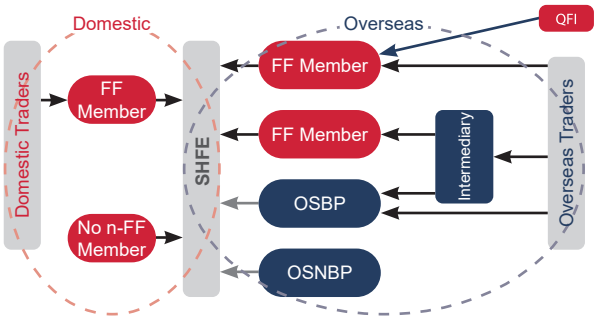
Nickel futures and options are accessible to overseas investors as Specified Domestic Products. Overseas investors can trade SHFE nickel futures and options through one of the four pathways:

(1) Through a domestic Futures Firm Member (FF Member);

(2) Through an Overseas Intermediary that has partnered with a domestic FF Member or Overseas Special Brokerage Participant (OSBP);

(3) Through an OSBP; or

(4) Directly as an Overseas Special Non-Brokerage Participant (OSNBP).



# 34 What are the account opening and filing procedures for overseas traders?

1. Before applying to open an account, an overseas trader should first contact a domestic FF Member, OSBP, or Overseas Intermediary (collectively "account-opening institutions") to understand the documents required, including identity certificate and other materials requested by the account-opening institution.

2. To open an account through an account-opening institution, the overseas trader must comply with the real-name system and eligibility requirements specified in China Futures Market Monitoring Center's (CFMMC) *Unified Account Opening Rules for Overseas Traders* and the *Futures Trading Participant Eligibility Management Rules of Shanghai Futures Exchange*. In particular, they must provide the documents required by the account-opening institution, complete the eligibility assessment, and sign the account-opening documents after reading through the related materials and understanding the risks of the futures market.

3. The account-opening institution submits the overseas trader's account application to CFMMC. After verification and approval, CFMMC will forward the application to SHFE. SHFE then duly reviews the application and, if it is approved, issues a trading code. Notification of result occurs in the reverse direction: from SHFE to CFMMC, then to the account-opening institution, and finally the overseas trader.

# 35 What are the trading hours for SHFE nickel futures?

The trading hours for SHFE nickel futures are divided into a continuous trading session (night session) and a day trading session. The continuous trading session runs from 9:00 p.m. on the preceding business day to the following 1:00 a.m.; the day trading hours are 09:00–11:30 a.m. and 1:30–3:00 p.m. each trading day and any other hours announced by SHFE.

The first trading session runs from the opening of continuous trading on the preceding business day to 10:15 a.m. on the current trading day, followed by a 15-minute break. Trading then resumes until the midday break (11:30 a.m. to 1:30 p.m.), and the day session closes at 3:00 p.m.

For the continuous trading session, the opening auction takes place five minutes before the market opens, specifically during 8:55–8:59 p.m. (call auction order submission) and 8:59–9:00 p.m. (call auction order matching) on the preceding business day.

For the day trading session, the opening auction also occurs five minutes before the session starts, specifically during 8:55–8:59 a.m. (call auction order submission) and 8:59–9:00 a.m. (call auction order matching).

# 36 What are the position limits for SHFE nickel futures and options?

SHFE nickel futures and options are subject to position limits. **For the purposes of position limit, position in option contracts will *not* be aggregated with the position in the underlying futures contracts.** The option positions of a Non-FF Member, OSNBP, or Client are calculated as follows:

(1) Long positions in call options with the same underlying asset + short positions in put options with the same underlying asset; and

(2) Long positions in put options with the same underlying asset + short positions in call options with the same underlying asset.

Futures and options contracts are subject to different position limits over the different time periods in their lifecycle, the details of which are as follows:

**Table: The specific position limits and position limit amounts for nickel futures contracts vary across different periods**

| Product | From Listing to the Last Trading Day of the Second Month Before the Delivery Month | | | First Month Before the Delivery Month | | Delivery Month | |
|---|---|---|---|---|---|---|---|
| | Open Interest of a Futures Contract (lots) | Percentage-Based Position Limit (%) and Fixed-Amount Position Limit (in lots) | | Position Limit (lots) | | Position Limit (lots) | |
| | | Non-FF Member, OSNBP | Client | Non-FF Member, OSNBP | Client | Non-FF Member, OSNBP | Client |
| Nickel | ≥ 60,000 | 10 | 10 | 1,800 | 1,800 | 600 | 600 |
| | < 60,000 | 6,000 | 6,000 | | | | |

**Table: Position Limit for Nickel Options**

| From listing of the underlying futures contract to the second month before the delivery month | | First month before the delivery month of the underlying futures contract | |
|---|---|---|---|
| Position Limit (single-counted) | | Position Limit (single-counted) | |
| Non-FF Member, OSNBP | Client | Non-FF Member, OSNBP | Client |
| 6,000 lots | 6,000 lots | 1,800 lots | 1,800 lots |

Source: SHFE website

## 37 What is the trading margin requirement for an SHFE nickel futures contract over its lifecycle?

| Stage of Trading | Trading Margin |
|---|---|
| As of listing | 5% |
| As of the first trading day of the month before the delivery month | 10% |
| As of the first trading day of the delivery month | 15% |
| As of the second trading day before the last trading day | 20% |

Source: SHFE website

# 38 Can overseas traders apply for a hedging quota?

Overseas traders can apply for a hedging position quota through the same procedure as domestic Clients:

(1) A contract-based application for hedging position quota for regular months should be submitted by the last trading day of the second month before the delivery month of the contract concerned. Product-based applications for hedging position quota for regular months are governed by the *Hedge Trading Rules of the Shanghai Futures Exchange*;

(2) An application for hedging position quota for nearby delivery months should be submitted between the first trading day of the second month before the delivery month of the contract concerned and the last trading day of the month before the delivery month.

(3) Required documents include the Business License or other documents that can certify the applicant's scope of business, materials proving the size of its physical commodity business, the hedging plan, and other supporting documents required by SHFE. The usual position limit does not apply as long as trading is conducted within the approved quota.

# International Clearing Process for Nickel Futures and Options

## 39 How should overseas traders complete foreign exchange?

SHFE nickel futures are priced and settled in RMB. Overseas traders and overseas brokers may post margin in RMB or directly in USD, but the USD margin can be used for clearing purposes only after it is exchanged into RMB.

Aside from foreign currencies, overseas investors may also use standard warrants or Chinese government bonds as margin.

The purchase and sale of currencies for nickel futures- and options-related payments, such as for settling profits and losses, paying transaction fees, and depositing additional cash for clearing purposes, must be completed through a Designated Depository Bank in accordance with applicable foreign exchange regulations.

## 40 How does funds transfer work for overseas traders of SHFE nickel futures?

According to Announcement [2015] No. 19 of the People's Bank of China and Circular Huifa [2015] No. 35 of the State Administration of Foreign Exchange,

overseas traders and overseas brokers may transfer offshore RMB or USD to onshore bank accounts to trade SHFE nickel futures.

Futures-related funds transfers between SHFE and a Member should be conducted between the dedicated settlement account of SHFE and the dedicated margin account of the Member. Futures-related funds transfers between a Member and an overseas trader, Overseas Intermediary, or OSP should be conducted through the Member's dedicated margin account and the latter's dedicated futures settlement account.

## 41 What clearing services can OSPs and Overseas Intermediaries expect to receive from a Domestic FF Member?

- Establishing carrying-brokerage relationship. Rules state that an OSP may appoint only one FF Member for trade clearing. Furthermore, a service agreement must be signed between the parties to set out their respective rights and responsibilities in areas such as risk management, account management, and transaction fees.
- Innovative account framework. When an FF Member is entrusted to trade or clear trades for an Overseas Intermediary or to clear trades for an OSBP, the FF Member may open an omnibus funds account in the name of that overseas party. This account enables consolidated clearing service and unified risk control across multiple Clients.

## 42 What action will SHFE take if a Member's RMB balance in its clearing deposit falls below the minimum requirement?

After the completion of daily clearing, a Member's RMB clearing deposit balance on any internal ledger at SHFE may not be lower than the minimum clearing deposit requirement, otherwise, SHFE may debit a corresponding amount of RMB funds from the Member's dedicated fund account. If a shortfall still exists, the Member must meet the minimum clearing deposit requirement before market open on the next trading day. If the Member fails to do so, SHFE may perform a forced foreign exchange by unilaterally exchanging the Member's foreign-currency funds in the relevant dedicated settlement account and dedicated fund account into RMB.

## 43 How are the daily settlement price and final settlement price of an SHFE nickel futures contract determined?

According to the *Clearing Rules of the Shanghai Futures Exchange*, the daily settlement price of a futures contract is the volume-weighted average price of all trades in that contract executed on that trading day.

Under the *Nickel Futures Rules of the Shanghai Futures Exchange*, the benchmark price for delivery settlement of a nickel futures contract is its settlement price on the last trading day.

# International Delivery Process of Nickel Futures and Options

## 44 What are the deliverable grades for SHFE nickel futures?

The deliverables for SHFE nickel futures contracts are:

- Standard: Ni9996 electrolytic nickel conforming to National Standard GB/T 6516-2025.
- Substitute: Ni9997 or Ni9999 conforming to National Standard GB/T 6516-2025 or standard nickel conforming to ASTM B39-79 (2023) (nickel content ≥ 99.8%).

## 45 Nickel products from which manufacturers are eligible for delivery in China's futures market?

Nickel futures are physically delivered and adopt a brand registration system. Only registered nickel products produced by SHFE-registered manufacturers are eligible for delivery. Detailed registration materials and requirements for deliverable products can be found in the *Rules on Management of Non-Ferrous Metal Products for Futures Delivery of the Shanghai Futures Exchange*. As of the end of 2025, SHFE nickel futures have 14 registered brands (9 domestic brands and 5 international brands) from 10 companies.

# 46 What are the Designated Delivery Warehouses for SHFE nickel futures?

As of the end of 2025, there are 10 delivery warehouses (including 1 group delivery warehouse) and 12 storage sites (7 in Shanghai, 2 in Jiangsu Province, and 3 in Zhejiang Province) for SHFE nickel futures.

**Table: Designated Delivery Warehouses for SHFE Nickel Futures**

| No. | Warehouse Name | Storage Address | Arrival Station/Port | Premium / Discount |
|---|---|---|---|---|
| 1 | Shanghai Guochu Tianwei Warehouse Co., Ltd. | 1289 Xingta Road, Huangdu Industrial Park, Jiading District, Shanghai | Huangdu Station (Shanghai Branch No. 7, National Food and Strategic Reserves Administration) | Standard price |
| 2 | CMST Development Co., Ltd. | 137 Nanda Road, Baoshan District, Shanghai | Taopu Station (special line of CMST Dachang Branch) | Standard price |
| | | 32-1 Chengnan Road, Wuxi City, Jiangsu | Zhoujing Port | Standard price |
| 3 | Zhejiang Branch No. 837, National Food and Strategic Reserves Administration | 331 Datong Road, Zhenhai District, Ningbo | Zhenhai West Station (special line of Zhejiang Branch No. 837) | Standard price |
| 4 | Ningbo Jiulongcang Warehousing Co., Ltd. | 299 Pinghai Road, Zhenhai District, Ningbo, Zhejiang | Zhenhai West Station, Ningbo, Zhejiang | Standard price |
| 5 | Ningbo Free Trade Zone Gaoxin Container Co., Ltd. | 6 Chuangye 6th Road, West Area of Ningbo Free Trade Zone | N/A | Standard price |
| 6 | Changzhou Rongda Modern Logistics Co., Ltd. | 298 Yunhe Road, Xinzha Town, Zhonglou District, Changzhou | Xinzha Station (special line of Changzhou Rongda Modern Logistics) | Standard price |
| 7 | Sinotrans Eastern Co., Ltd. | 4088 Yixian Road, Shanghai | Five foreign trade special lines of Hejiawan Station of Shanghai Railway Bureau | Standard price |

| No. | Warehouse Name | Storage Address | Arrival Station/Port | Premium / Discount |
|---|---|---|---|---|
| 8 | COSCO SHIPPING Logistics Co., Ltd. | 156 Jiechang Road, Lin-gang Logistics Park, Pudong New Area, Shanghai | N/A | Standard price |
| | | 2249 Baoyang Road, Baoshan District, Shanghai | N/A | Standard price |
| 9 | Shanghai Jikaiyi Supply Chain Co., Ltd. | 255 Huigang Road, Yangshan Free Trade Zone, Shanghai | N/A | Standard price |

**Table: Group Delivery Warehouse for SHFE Nickel Futures**

| No. | Group Delivery Center | Warehouse Name | Storage Address | Arrival Station/ Port | Premium / Discount |
|---|---|---|---|---|---|
| 1 | SIPG Logistics Co., Ltd. | SIPG Yuncang (Shanghai) Warehousing Management Co., Ltd. | 240 Anda Road, Baoshan District, Shanghai | Zhang Huabang Station (Sinotrans special line) | Standard price |

Source: SHFE website

## 47 What are the physical delivery procedures and position adjustment rules for SHFE nickel futures?

China's nickel futures contracts are physically delivered. Expired contracts are delivered through the standard delivery process; non-expired contracts can be delivered through an Exchange of Futures for Physical (EFP). Nickel futures are subject to duty-paid delivery, meaning delivery is made through VAT-included standard warrants at delivery warehouses located in China's duty-paid markets. According to the *Delivery Rules of the Shanghai Futures Exchange*, the specific process is as follows:

Delivery takes place during the two consecutive business days after the last trading day of a nickel futures contract (i.e., the delivery period). On the first delivery day, buyers submit Notice of Intention and sellers submit standard warrants. On the second delivery day, SHFE allocates standard warrants, buyers pay and obtain the warrants, and sellers receive the delivery payment.

Before the close of the last trading day of the month preceding the delivery month, traders must adjust their general nickel futures positions under each trading code to multiples of 6 lots (a one-day extension is given under special market conditions). Upon entering the delivery month, general positions held as well as positions newly opened or closed out must be in multiples of 6 lots.

## 48 Can overseas traders participate in physical delivery of SHFE nickel futures?

SHFE nickel futures adopt duty-paid delivery. Because overseas entities cannot issue or receive special VAT invoices, they are ineligible for physical delivery. To address this, SHFE provides an indirect delivery pathway for overseas participants. Specifically, overseas institutional Clients and OSNBPs may apply to transfer positions to a domestic entity so long as they are linked by a reported actual control relationship. The qualified domestic general institutional Client or Non-FF Member may then complete the physical delivery process.

## 49 What are the rules for transfer of positions?

In a position transfer, only open positions are transferred, not such items as profits or losses, transaction fees, etc. During daily clearing, SHFE will review a transfer application based on the transferor's open positions, the requested transfer volume, and the transferee's available hedging quota.

The transfer volume for general positions = Min (transferor's actual general positions, requested transfer volume)

The transfer volume for hedging positions = Min (transferor's actual hedging positions, requested transfer volume, transferee's available hedging quota)

Before and after a transfer, the nature and direction of positions will remain unchanged. Positions are transferred on a "first in, first out" basis and based on when they are opened. The transferee's positions are deemed established on the day of the transfer at the day's settlement price.

## 50 Where can the transferor and the transferee check the effectiveness of their actual control relationship?

The transferor and the transferee should verify that the actual control relationship between them is effective at least ten trading days before the position transfer. Their Members may check the status of the actual control relationship in the Member Service System at "General → Affiliated Account → Affiliated Account Declaration Status Search". The actual control relationship is

in effect if the transferor and the transferee are in the same group of accounts linked by actual control relationship.

Processes relating to accounts with actual control relationship can be found on SHFE's website at Services → Supervision → Administration of Accounts Involving Actual Control Relationship.

## 51 What is the specific process for transfer of nickel futures positions?

The transfer of nickel futures positions is a three-step process: application, review, and transfer.

- **Application.** Application must be filed from the first trading day in the contract's delivery month up to and including the 4th trading day before the last trading day. If this 4th trading day occurs before the first trading day of the delivery month, transfer application is not allowed for the contract. The transferor submits the application in the Member Service System through its carrying Member. The transferee must confirm or reject it by 2:50 p.m. on the same day; otherwise, the application is void. The transferor may withdraw the application before 2:50 p.m. as long as it has not been confirmed by the transferee. The size of positions to be transferred (in lots) should be a multiple of the delivery unit. Multiple applications may be submitted on a single day.
- **Review.** At daily clearing, SHFE will review the transfer application based on the size of the transferor's positions, the brokerage and actual control relationship between the transferor and the transferee, and the transferee's hedging position quota, among other factors, ensuring the application is reviewed on the day of submission.

## 52 Under what circumstances may SHFE cancel the position transfer service for overseas participants during the delivery month?

SHFE is entitled to cancel the transfers on a given day if: (1) there is a clearing, delivery, or options exercise or fulfillment crisis that is currently or on the verge of materially affecting the market; (2) there is a system failure that makes the transfer service non-operational; or (3) there is any other circumstance for cancellation specified by SHFE.

## 53 What positions are considered non-deliverable under SHFE rules?

Non-deliverable positions include positions held by a natural-person Client, positions not of an integral multiple of the delivery unit, positions held by an institutional Client that is unable to deliver or receive VAT invoices, positions where a corresponding standard warrant account has not been opened as of the last trading day, and other positions specially recognized by SHFE.

A natural-person Client should hold zero lot of a futures contract after market close on the fifth trading day before the last trading day of the contract. Starting from the fourth trading day before the last trading day, any position held by the natural-person Client will be force-liquidated in accordance with SHFE rules.

Clients, Non-FF Members, and OSNBPs should hold zero non-deliverable positions in a futures contract after market close on the last trading day of the contract.

## 54 How will SHFE handle outstanding non-deliverable positions after market close on the last trading day of a futures contract?

(1)SHFE will impose a fine equaling 20 percent of the contract value calculated at the final settlement price on each of the buyer and the seller holding the non-deliverable positions.

(2)Based on the disparity in the non-deliverable positions held by the buyer and the seller and whichever party holding a larger position, SHFE will pay an amount equaling 20 percent of the contract value calculated at the final settlement price to the counterparty holding the deliverable positions.

(3)The open positions described in (1) and (2) will be closed out without proceeding to delivery.

## 55 What constitutes a delivery default under SHFE rules?

(1)A seller fails to deliver the required number of standard warrants within the specified delivery period;

(2)A buyer fails to make delivery payment in the required amount within the specified delivery period; or

(3)Other acts deemed as a delivery default by SHFE.

# Robust Market: Supervision and Risk Management

## 56 What multi-layered risk monitoring rules and measures has SHFE taken to manage market risks, protect traders, and ensure market stability?

To strengthen risk management in futures and options trading, protect trading parties, and ensure smooth-running futures and options markets, SHFE has implemented margin requirement, price limit, position limit, trading limit, the large trader position reporting regime, forced position liquidation, and risk warning, among others.

According to its trading rules, if a “same direction limit-locked market” occurs or if market risks have noticeably increased, SHFE may adjust the price limit, raise the margin requirement, adjust the rate of transaction fees, or take other necessary measures.

## 57 What is the threshold for large trader position reporting?

SHFE requires large traders to file position reports. Any Client whose general positions in a futures contract reaches eighty percent (80%) or more of the position limit specified in the corresponding product rules must file a report with SHFE by 3:00 p.m. the next trading day. A report must also be filed at any time it is instructed by SHFE.

SHFE may set and adjust this reporting threshold based on market risk conditions.

## 58 Is a large trader position report required by regulatory rules when the combined positions held by accounts linked by actual control relationship reach the reporting threshold? How should a Client submit such reports?

The *Regulations on the Risk Management of Futures Exchanges, Interim Provisions on Position Management for the Futures Market*, and the *Administration of Accounts Involving Actual Control Relationship of the Shanghai Futures Exchange* require that the transactions and positions of accounts linked by actual control relationship be calculated on an aggregate basis. A large trader position report should be filed if the aggregated positions meet the reporting threshold.

A general Client should submit the report through its carrying FF Member or OSBP. A Client that engages in futures trading through an Overseas Intermediary should request the Overseas Intermediary to submit such reports through the relevant FF Member or OSBP.

## 59 How should overseas Clients report accounts involving actual control relationship when trading at SHFE through Overseas Intermediaries?

According to the *Administration of Accounts Involving Actual Control Relationship of the Shanghai Futures Exchange*, if an overseas Client holding an account involving actual control relationship trades through an Overseas Intermediary, the Client should voluntarily report the relevant account information to the China Futures Market Monitoring Center (CFMMC) through its carrying Overseas Intermediary.

The Overseas Intermediary is obligated to assist the Client in completing the filing process and, if a change occurs to such actual control relationship, to update the information through appropriate channels within 10 trading days.

## 60 How does SHFE regulate accounts involving actual control relationship and manage the associated risks?

If during day-to-day supervision SHFE suspects a Client is holding an account involving an unfiled actual control relationship, SHFE will inquire into the account through the Client's FF Member or OSBP. If the Client trades through an Overseas Intermediary, the relevant inquiry will be forwarded by the Overseas Intermediary. The Client should respond to the inquiry in writing and furnish the relevant supporting materials, which will be forwarded by the relevant account-opening institutions to SHFE.

If the Client acknowledges the existence of the actual control relationship, it should then complete the filing process as required. If the Client denies it, it should submit a Compliance Statement and Undertaking Letter and other required materials for review by SHFE.

If the Client's response is unsatisfactory, SHFE will order the Client to complete the filing process, and take any further actions as needed. If the response is satisfactory, the account will not be identified as one involving actual control relationship.

If any Client involved in an actual control relationship does not make truthful filings or truthful response to SHFE's inquiry, or elects to withhold information or evade inquiries, SHFE may take such actions against the Client as giving a verbal alert, issuing a warning letter, and suspending the opening of new positions. If the circumstances are serious, further actions may be taken in accordance with the relevant rules.

Note that for a group of accounts linked by actual control relationship, SHFE will calculate the transactions and positions of such accounts on an aggregate basis for purposes of the position limit and the management of abnormal trading behaviors.

# 61 What are the criteria for conducting program trading at SHFE?

According to the *Program Trading Rules of the Shanghai Futures Exchange*, traders must meet the following requirements to engage in program trading on SHFE:

- **Completing pre-trade reporting to SHFE.** Before engaging in program trading, a Client should report relevant information to its FF Member, OSBP, or Overseas Intermediary, and non-FF Members and OSNBPs should report it directly to SHFE. Program trading may only be started following SHFE's confirmation.
- **Ensuring IT system complies with SHFE's requirements.** The IT system for program trading should be equipped with effective anomaly monitoring, threshold management, error prevention, emergency response, and logging functions. In addition, the IT systems used by non-FF Members and OSNBPs should also possess effective capital and position verification functions, with any features that interface with the SHFE's system be developed and used in strict accordance with SHFE's technical specifications.
- **Strengthening risk prevention and control.** Program traders should enhance compliance awareness and risk management. Legal entities and unincorporated organizations that engage in program trading should establish and duly enforce internal control, risk management, and compliance protocols.

## 62 How to report program trading information?

- **Clients.** Before engaging in program trading, a Client should report relevant information to its FF Member, OSBP, or Overseas Intermediary, who in turn should report such information to SHFE through CFMMC's program trading reporting system.
- **Non-FF Members and OSNBPs.** Information should be reported through the Member Service System.
- **High-frequency traders.** Reporting requirements for high-frequency traders will be separately announced by SHFE.

## 63 What information need to be reported by program traders?

According to the *Program Trading Rules of the Shanghai Futures Exchange*, program traders should report the following information in a truthful, accurate, and complete manner:

(1) Basic account information, including the trader's name, trading code, (investment) product administrator, and the name of the trader's carrying FF Member, OSBP, or Overseas Intermediary;

(2) Trading and software information, including the method of order execution, the name of the trading software, its basic functions, and the name of the software developer; and

(3) Any other information required by the Exchange.

High-frequency traders should report the following information in addition to those listed above: type and details of the trading strategies used, maximum order submission and cancellation frequency, maximum daily number of order submissions and cancellations, server location, IT system testing report, emergency response plan, and risk control measures, among others.

## 64 What should program traders do if previously reported information has changed?

According to the *Program Trading Rules of the Shanghai Futures Exchange*, any of the following changes to previously reported information is a material change and must be reported accordingly:

(1) A change in the trader's name or (investment) product administrator;

(2) A change in the method of order execution, or in the name, basic functions, or developer of the trading software;

(3) For high-frequency traders, a change in the type of trading strategy, the maximum order submission or cancellation frequency, or the maximum number of order submissions or cancellations in a single day;

(4) The termination of program trading; or

(5) Any other material changes as determined by SHFE.

Program traders should submit an information update report within 30 trading days following a material change.

## 65 What acts are considered abnormal trading behaviors?

According to the *Administration of Abnormal Trading Behaviors Rules of the Shanghai Futures Exchange*, each of the following situations during futures trading will be deemed an abnormal trading behavior by SHFE:

(1) Multiple trades between one's own accounts ("self-trades");

(2) Multiple trades between Clients within a group of accounts with actual control relationship;

(3) Frequent submissions and cancellations of orders within the same day, which may affect the futures trading price or mislead other market participants into trading futures ("frequent order cancellation");

(4) Multiple submissions and cancellations of large-amount orders within the same day, which may affect the futures trading price or mislead other market participants into trading futures ("large-amount order cancellation");

(5) The position-opening volume in a listed product or contract in a single trading day has exceeded the intraday position-opening volume prescribed by SHFE;

(6) Placing trading orders via program trading in a manner that may adversely affect the system security or the normal course of trading at SHFE; and

(7) Any other situation prescribed by the CSRC or identified by SHFE.

As stated in the *Program Trading Rules of the Shanghai Futures Exchange*, SHFE conducts real-time monitoring and surveillance of program trading activities, with

a focus on the following abnormal program trading behaviors that may affect system security and orderly trading at SHFE:

(1) A high number or frequency of order submissions and cancellations within a short period, or a high number within a trading day, reaching certain thresholds;

(2) A high number of order submissions and cancellations and a high ratio of submissions/cancellations to executed trades within a short period or within a trading day, reaching certain thresholds;

(3) Large, continuous, or dense order submissions within a short period, where executed trades reach certain thresholds, and where there are significant anomalies in futures prices or trading volume; and

(4) Other circumstances deemed by SHFE to require enhanced monitoring and surveillance.

The identification and handling of abnormal program trading behaviors are governed by the *Administration of Abnormal Trading Behaviors Rules of the Shanghai Futures Exchange*.

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