



上海期货信息技术有限公司

SHANGHAI FUTURES INFORMATION TECHNOLOGY Co.,Ltd

上海期货交易所成员单位 AN SHFE COMPANY

Procedure Guidelines for the Standard Warrant Management System of Shanghai International Energy Exchange

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Things to Note

This Guideline mainly includes frequently asked questions (FAQs) about the Standard Warrant Management System of the Shanghai International Energy Exchange (“the Exchange”). For details about the requirements of this system and its function availability, please refer to the Standard Warrant User Guide of the Shanghai International Energy Exchange.

If your questions are not found in this FAQ, please direct your questions to us. We will respond at the earliest time possible.

Chapter1 Role Explanation

This chapter explains some roles of the Standard Warrant Management System of the Exchange.

- Trading Members: entities that directly engage in futures trading, including Futures Firm Members (“FF Members”), Non-Futures Firm Members (“Non-FF Members”), Overseas

Special Brokerage Participants (“OSBPs”) and Overseas Special Non-brokerage Participants (“OSNBPs”).

- Clearing Members: business entities with clearing qualification, including FF Members, Non-FF Members and special Members.

Chapter2 Procedure Guidelines

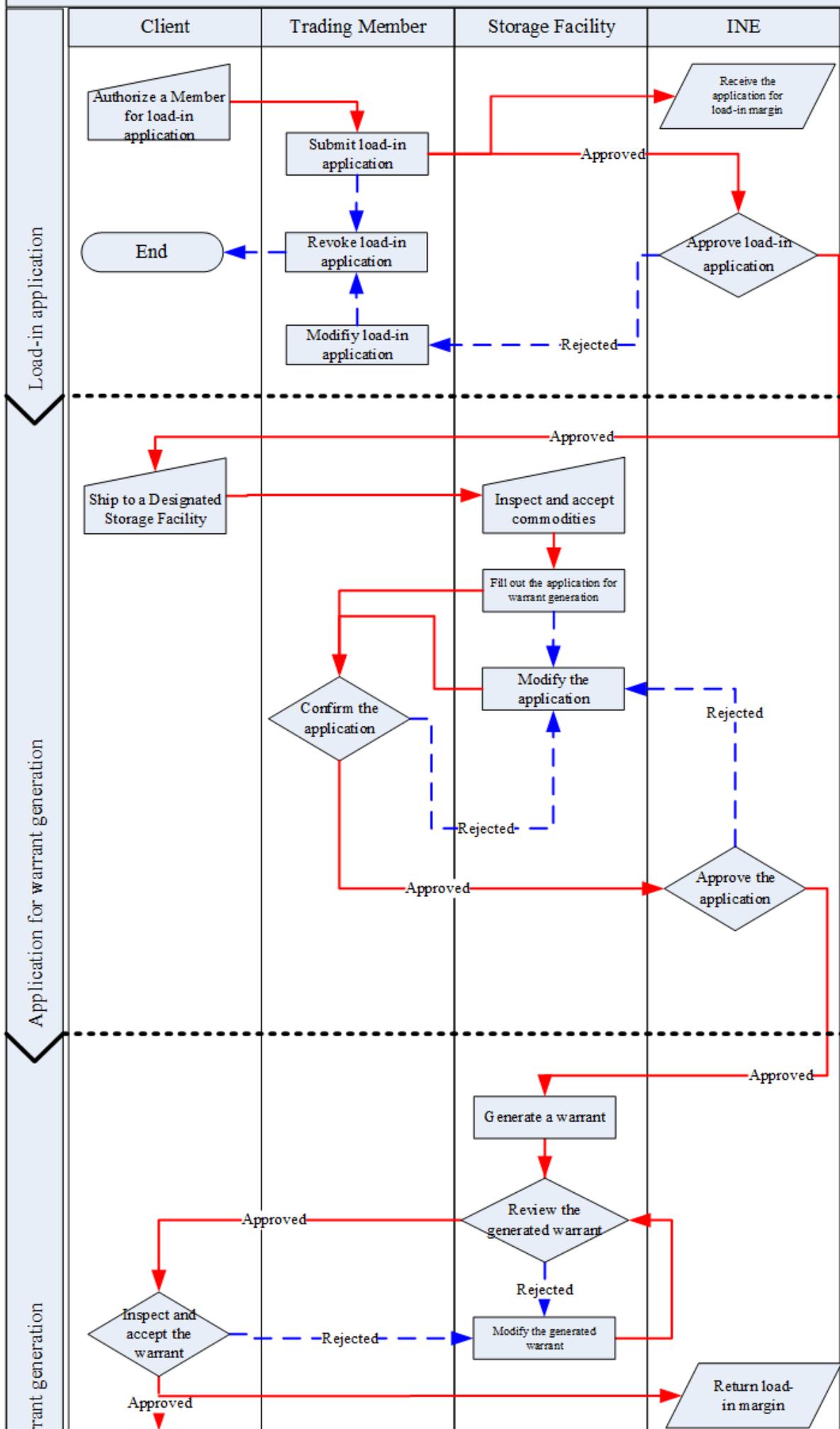
In practice, since FF Members and Non-FF Members can directly clear with the Exchange, there is no need for clearing Members to reconfirm after the verification or confirmation of FF Members and Non-FF Members which serve as trading Members.

Warrant Generation Procedure

The generation of a warrant includes load-in application and warrant issuance.

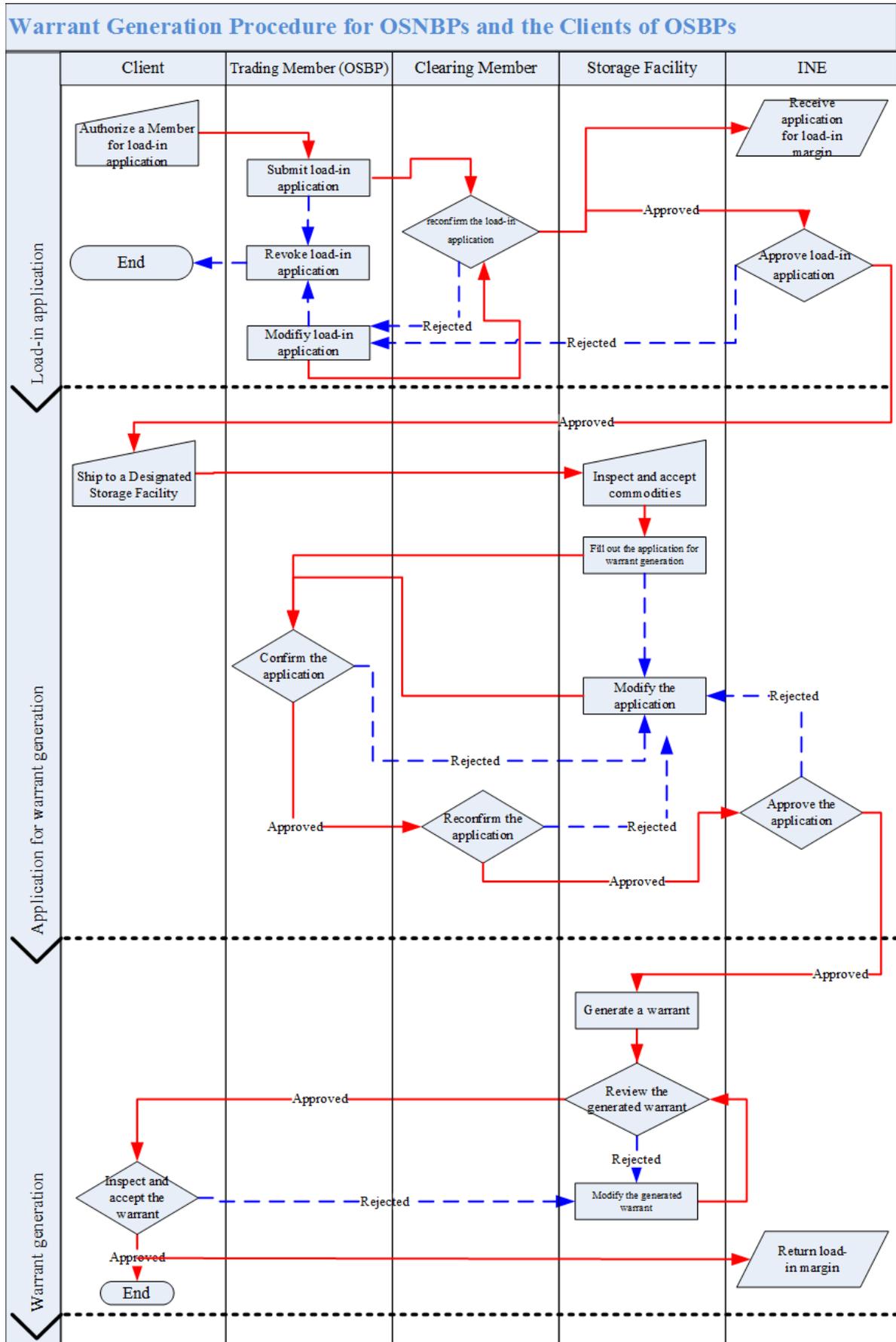
Warrant Generation Procedure for Non-FF Members and the Clients of FF Members

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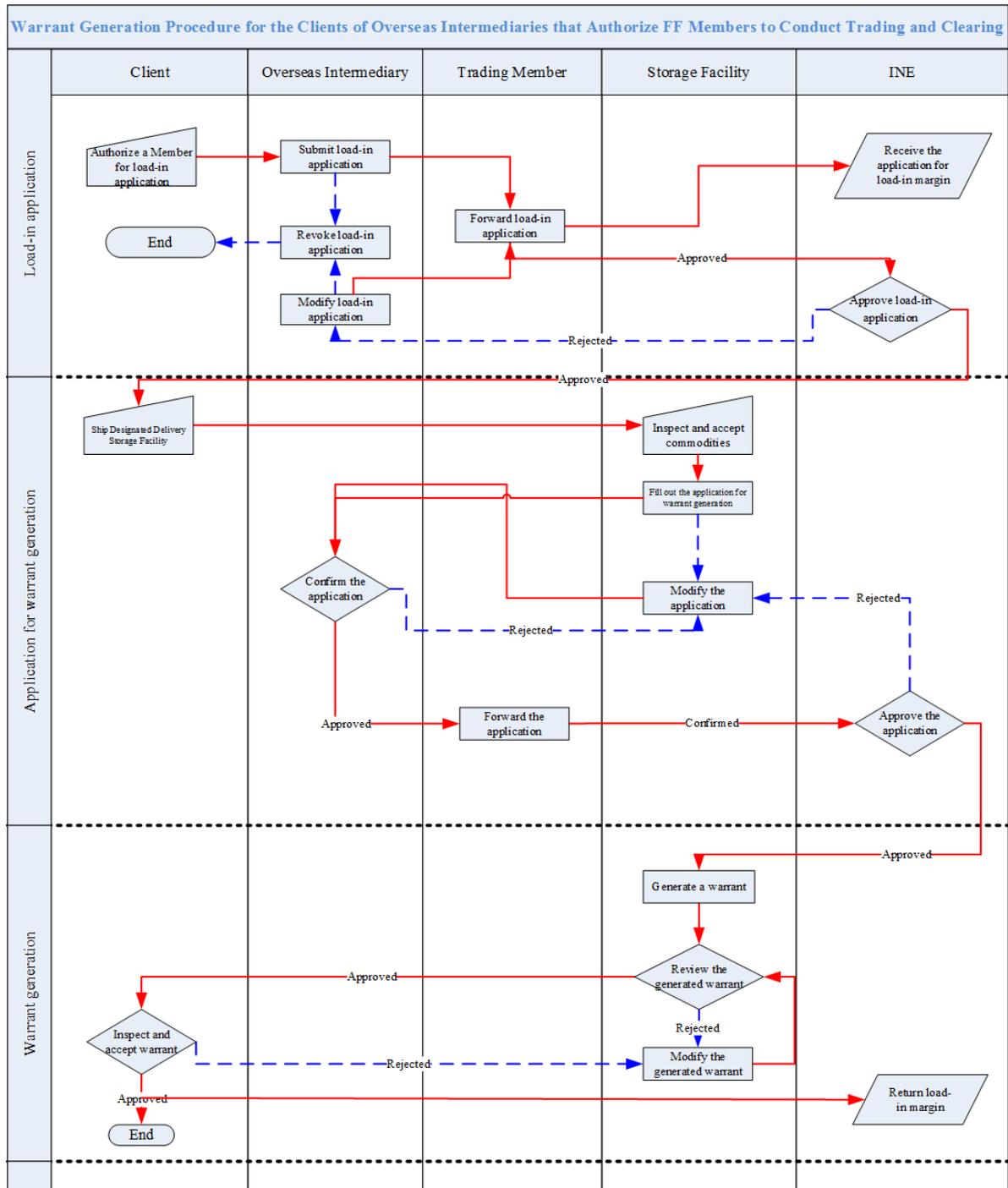




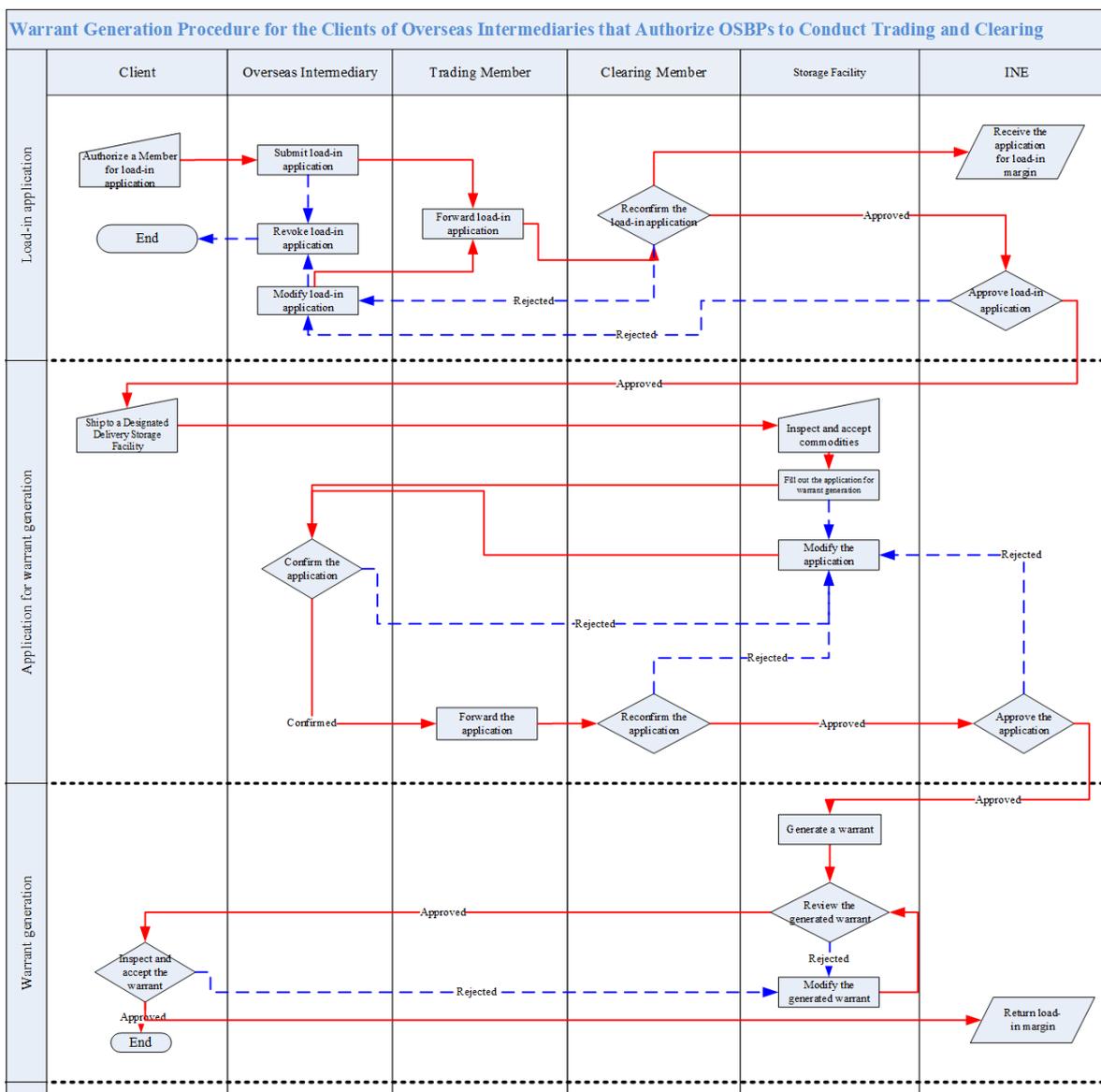
Warrant Generation Procedure for OSNBPs and the Clients of OSBPs



Warrant Generation Procedure for the Clients of Overseas Intermediaries that Authorize FF Members to Conduct Trading and Clearing



Warrant Generation Procedure for the Clients of Overseas Intermediaries that Authorize OSBPs to Conduct Trading and Clearing



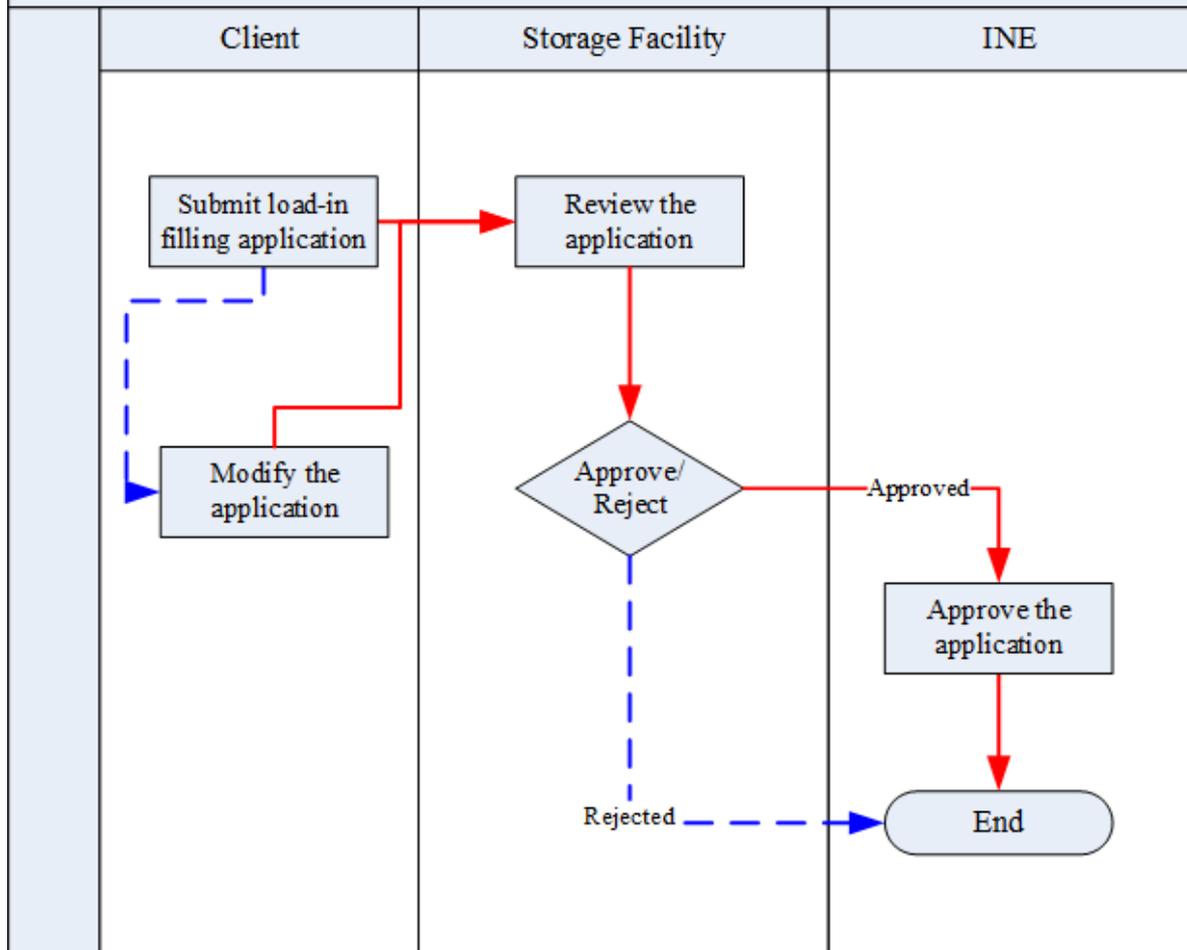
Load-in Filing for Physicals

A Client shall submit the filing application to the Designated Delivery Storage Facility, and the Designated Delivery Storage Facility shall forward it along with its review opinion to the Exchange. If the application is approved by the Exchange, the Client shall authorize an inspection agency to conduct the filing for futures inspection. Since the filed quantity of physicals is not included in the quantity of futures commodities, a warrant can only be generated until the physicals complete the load-in application (to be loaded in as stored commodities).

The load-in filing procedure for physicals is as follows:

- (1) A Client fills out the Crude Oil Load-in Filing Application;
- (2) Reviewed by the Designated Delivery Storage Facility. The Designated Delivery Storage Facility will approve the application if the applied load-in quantity does not exceed the storage capacity, and notify the Exchange after filling out the tank No.(s) for physicals to be loaded in; If the applied load-in quantity exceeds the storage capacity, the Designated Storage Facility will reject the application for the Client to modify, and fill out the review opinion; and
- (3) Reviewed by the Exchange. The Exchange may print power of attorney for the Client or the Member if the load-in filing application for physicals is approved. The Exchange may also reject the application and fill out review opinions to end the application.

Load-in Filing Procedure for Physicals

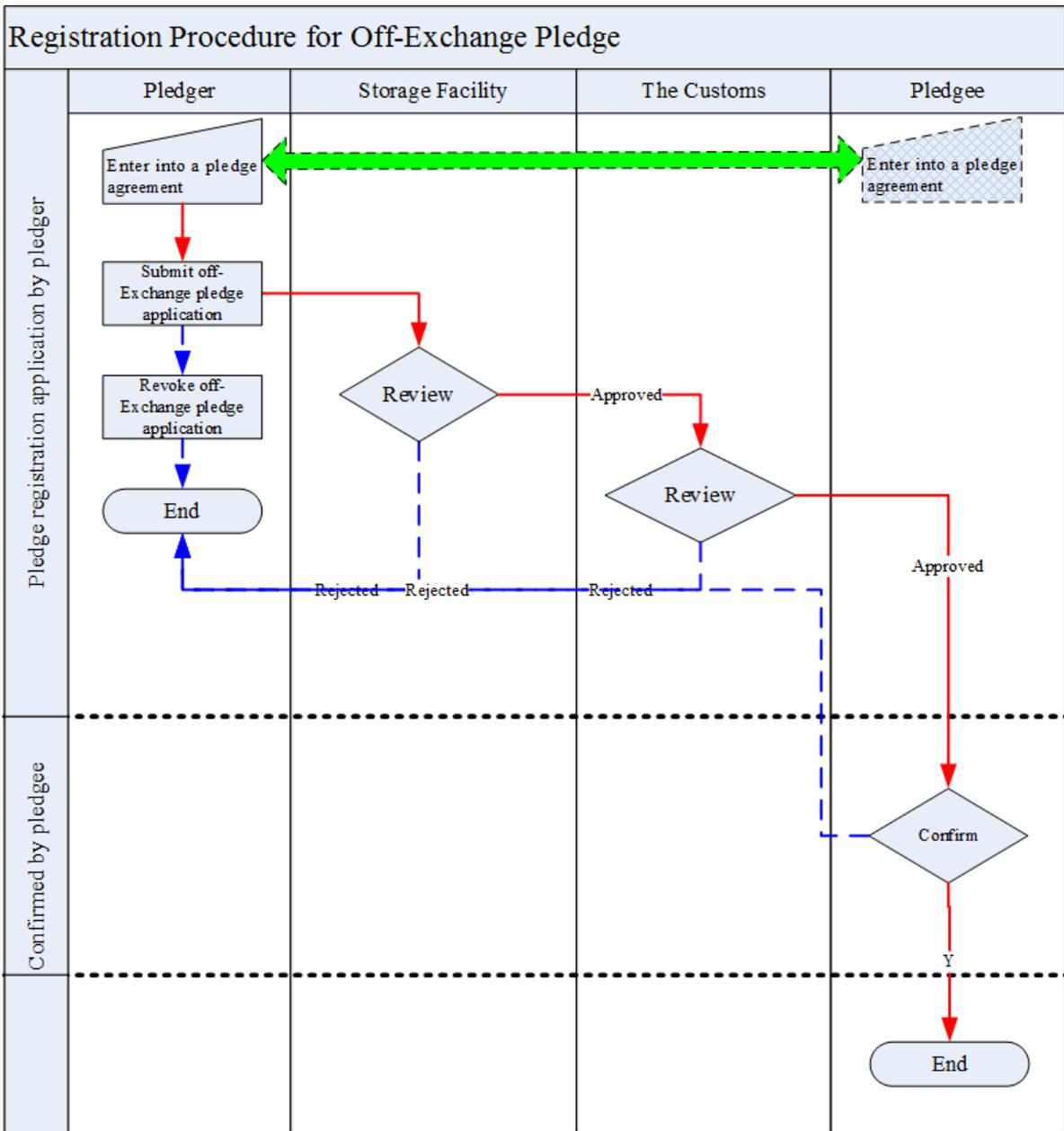


Off-Exchange Pledge

Off-Exchange Pledge

During the off-Exchange pledge, the pledger submits the filing application, and the delivery storage facility will review the application. If the bonded warrant is to be pledged, such a pledge is subject to further approval by the Customs, and will be finally confirmed by the pledgee.

The off-Exchange pledge procedure is as follows:

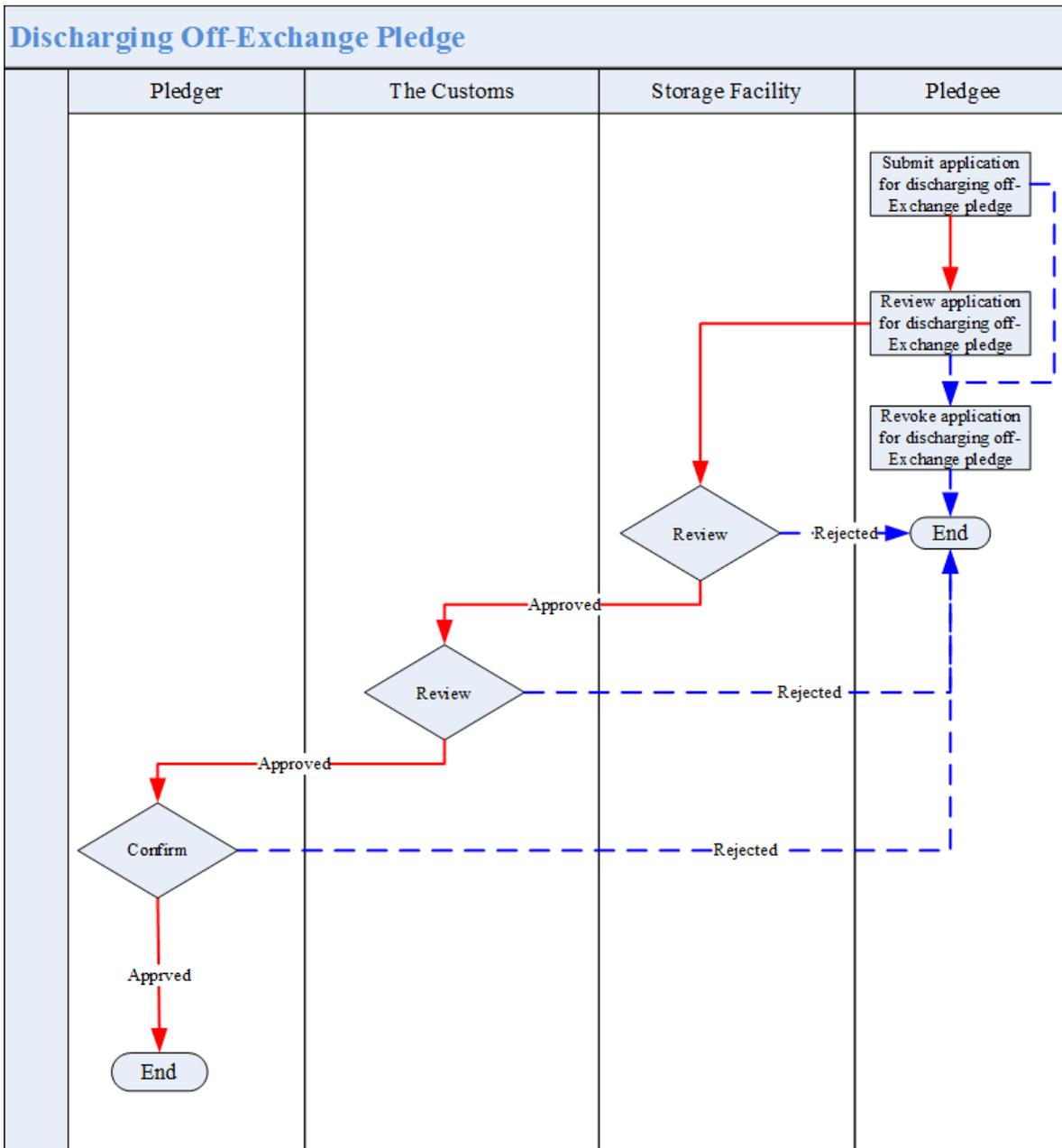


Discharging Off-Exchange Pledge

A pledger may apply for discharging off-Exchange pledge if it meets its liabilities. A pledgee may fully or partially discharge the pledge on the underlying commodities of the pledger's warrant account.

The application to discharge off-Exchange pledge shall be submitted by the pledgee and reviewed by the delivery storage facility. If the bonded warrant is to be pledged, such a pledge is subject to further approval by the Customs, and will be finally confirmed by the pledger. The application of discharging off-Exchange pledge by a pledgee shall be re-examined.

The procedure is as follows:



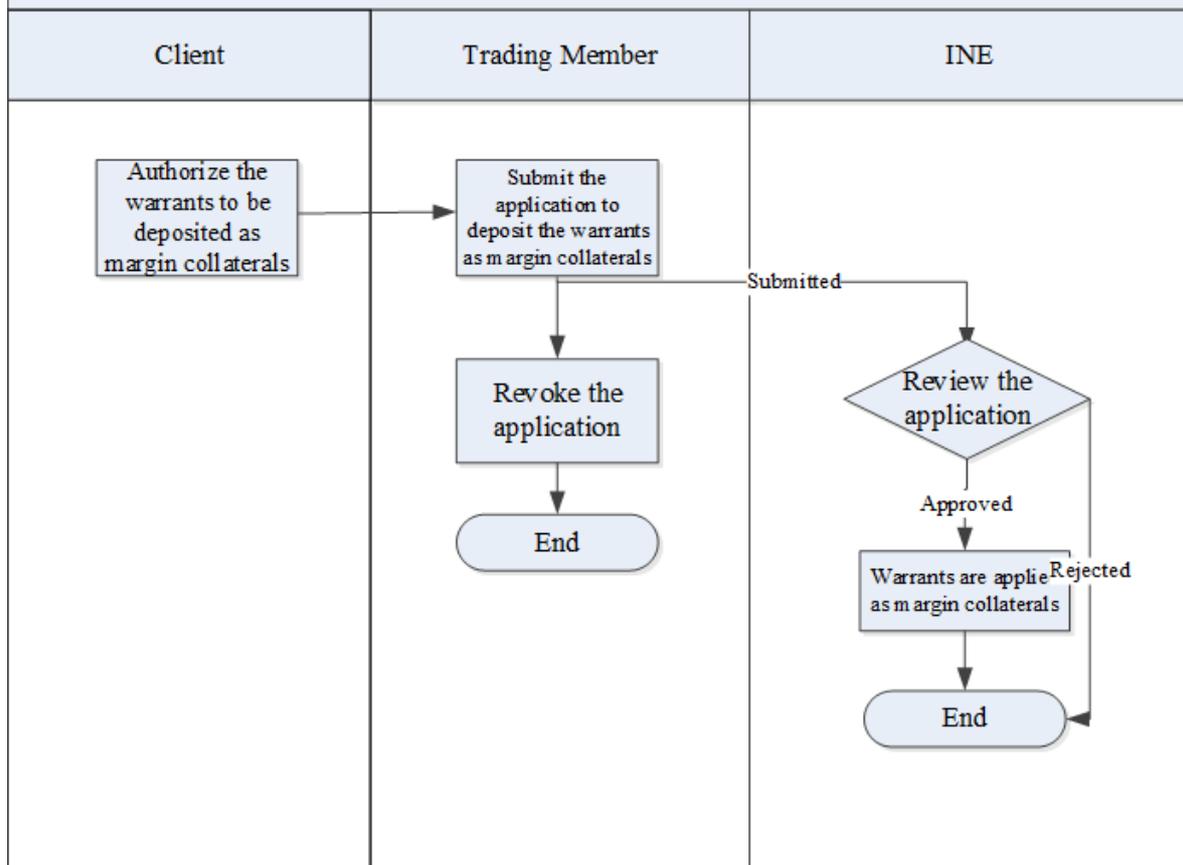
Collateralization for Margin

Deposit

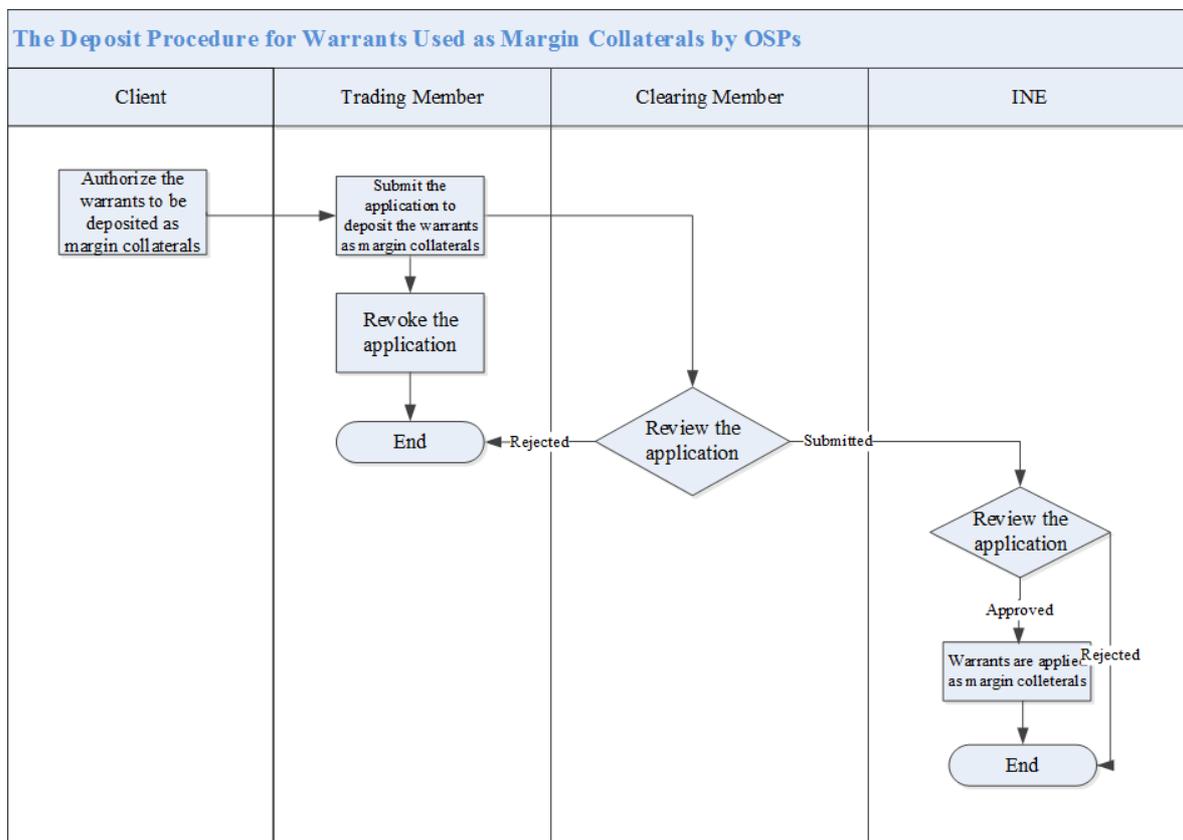
An FF Member or an OSP may apply to the Exchange to deposit standard warrants authorized by Clients at the Exchange. With the approval of the Exchange, such standard warrants may be used by the FF Member or the OSP as margin collaterals. The Member or the OSP shall indicate in the application whether such standard warrants are used as margin collaterals (common collateralization) or as trading margins for the positions of the futures contract of a specific delivery month with the same amount of positions (use of warrants as margin collaterals in delivery month).

The Deposit Procedure for Warrants Used as Margin Collaterals by FF Members and Non-FF Members

The Deposit Procedure for Warrants Used as Margin Collaterals by FF Members and Non-FF Members



The Deposit Procedure for Warrants Used as Margin Collaterals by OSPs



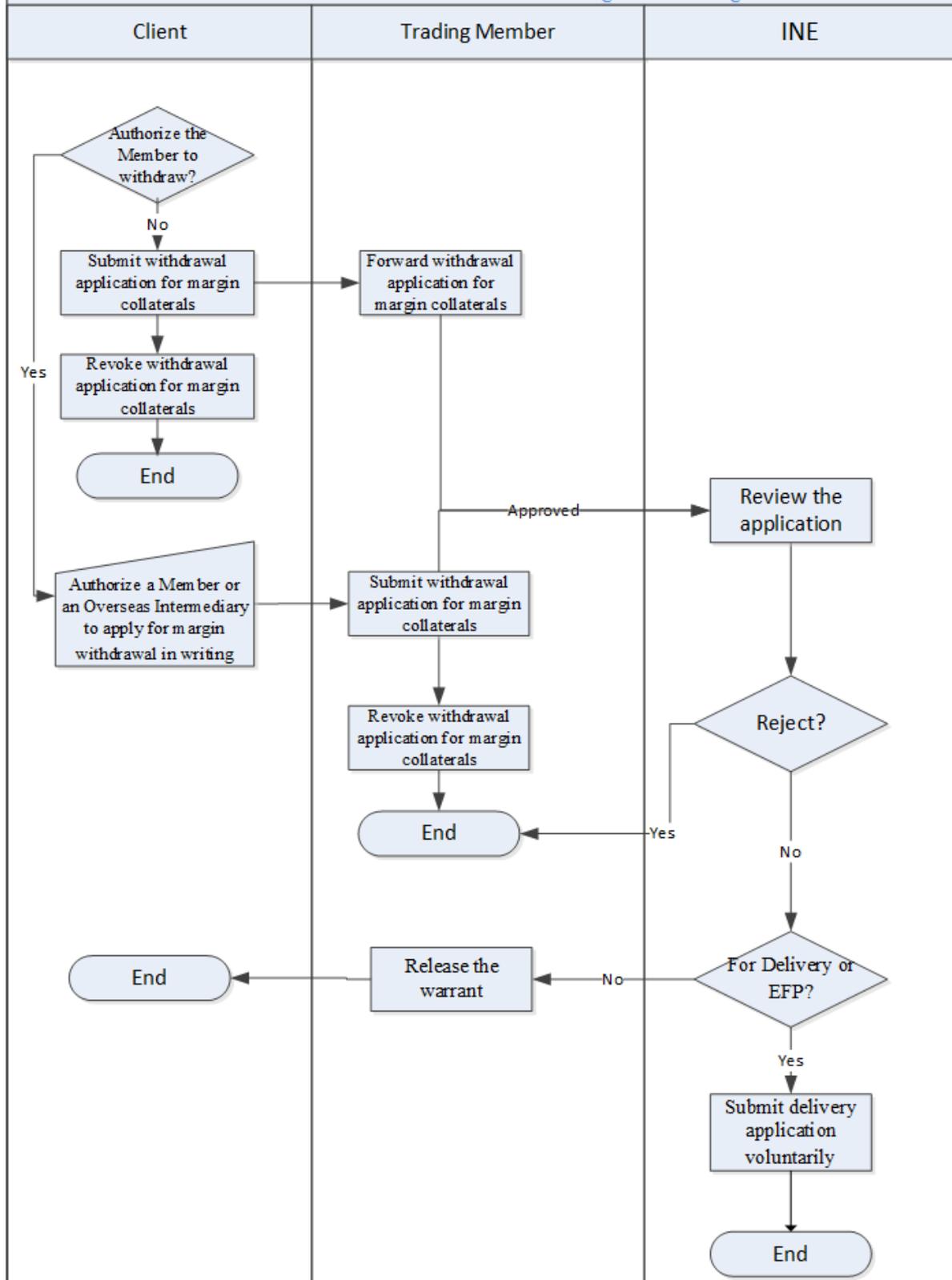
Withdrawal

In the event standard warrants are used as margin collaterals, a Member or an OSP may redeem the deposited standard warrants based on the withdrawal procedure after its required margin is fully paid.

A Client may choose one of the following ways to withdraw the standard warrants, including "Normal Withdrawal (default)", "Transfer for Delivery" and "Transfer for EFP"; when a Client authorizes a Member to withdraw the standard warrants, only "Normal Withdrawal" may be chosen.

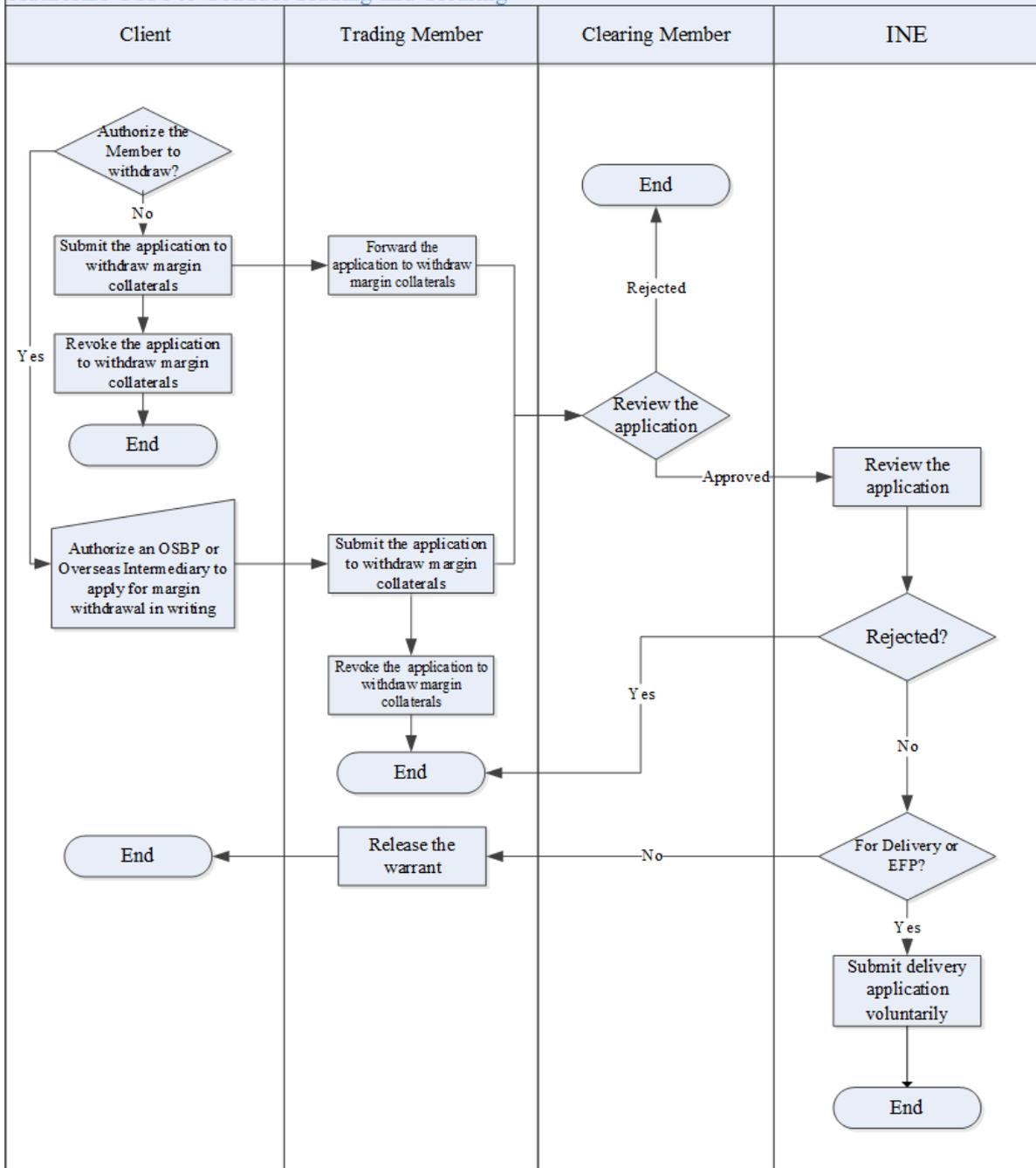
The Withdrawal of Margins by the Clients of FF Members, and the Clients of Overseas Intermediaries that Authorize FF Members to Conduct Trading and Clearing

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The Withdrawal of Margins by the Clients of OSPs, and the Clients of Overseas Intermediaries that Authorize OSPs to Conduct Trading and Clearing

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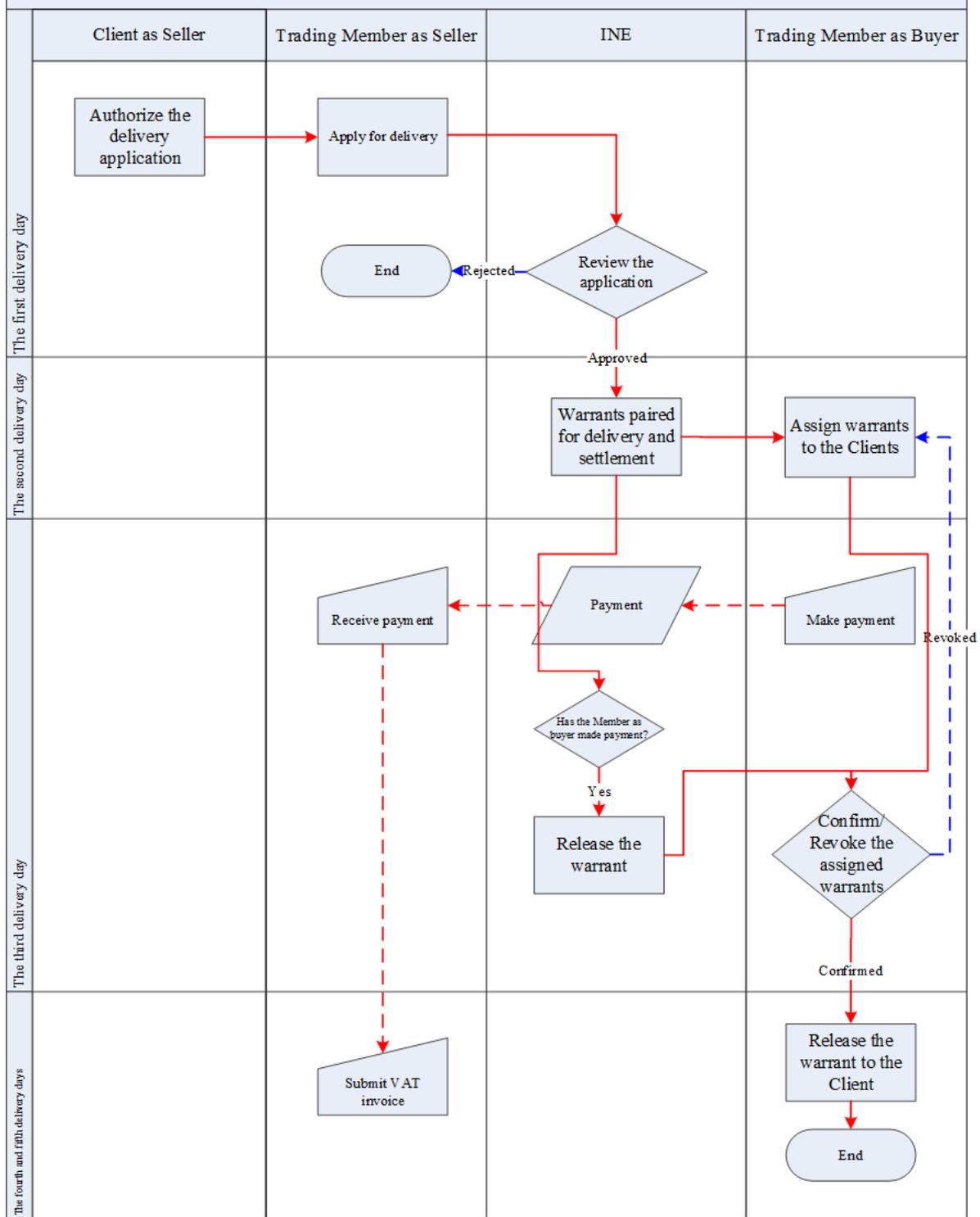


Delivery

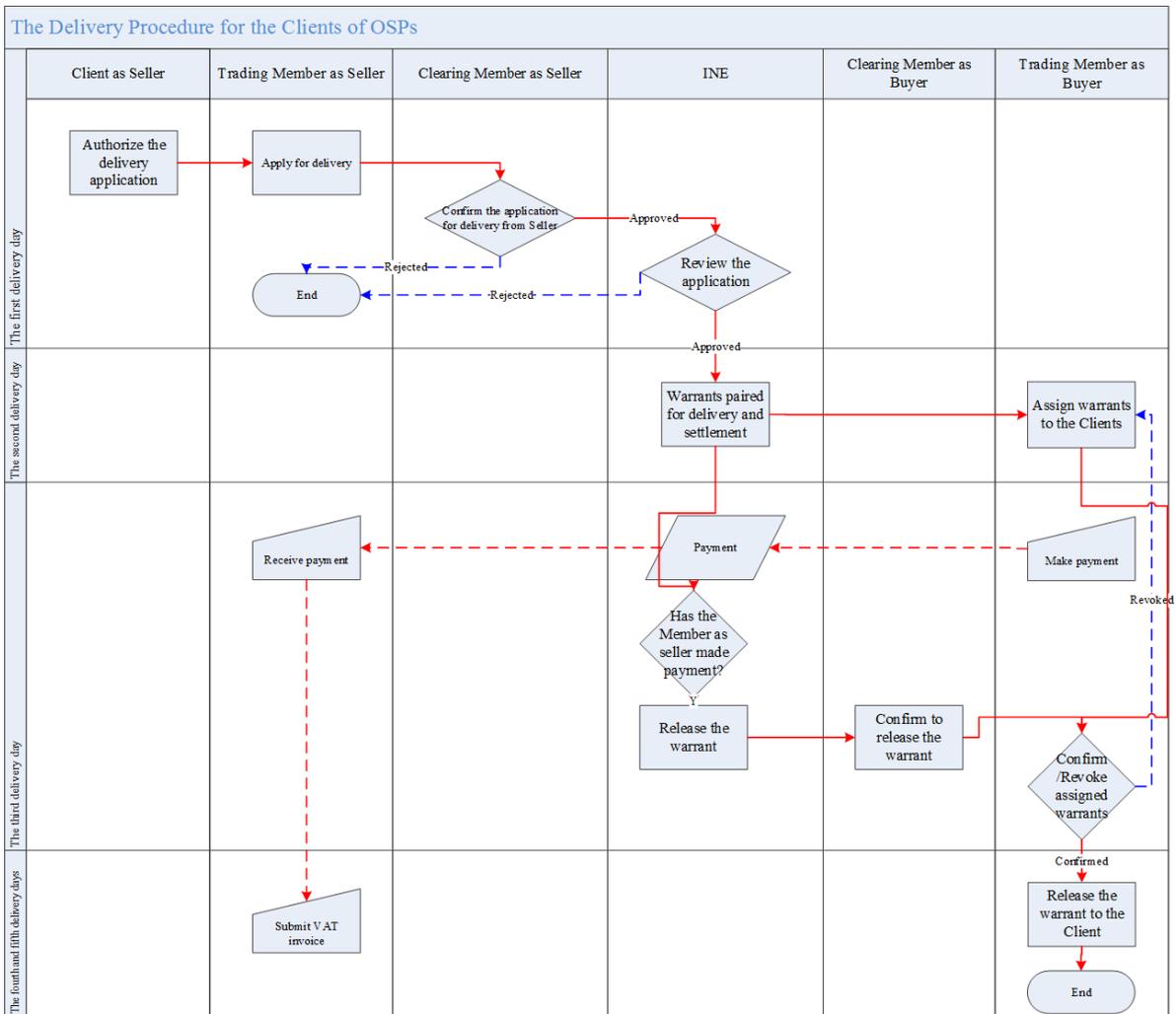
Delivery refers to the process of a buyer and a seller settling contracts, which have not been offset upon maturity, by transferring the ownership of the underlying commodities. The Clients of Members as sellers shall authorize the Members as sellers to take the standard warrants for physical delivery.

The Delivery Procedure for FF Members and Non-FF Members

The Delivery Procedure for the Clients of FF Members



The Delivery Procedure for OSPs

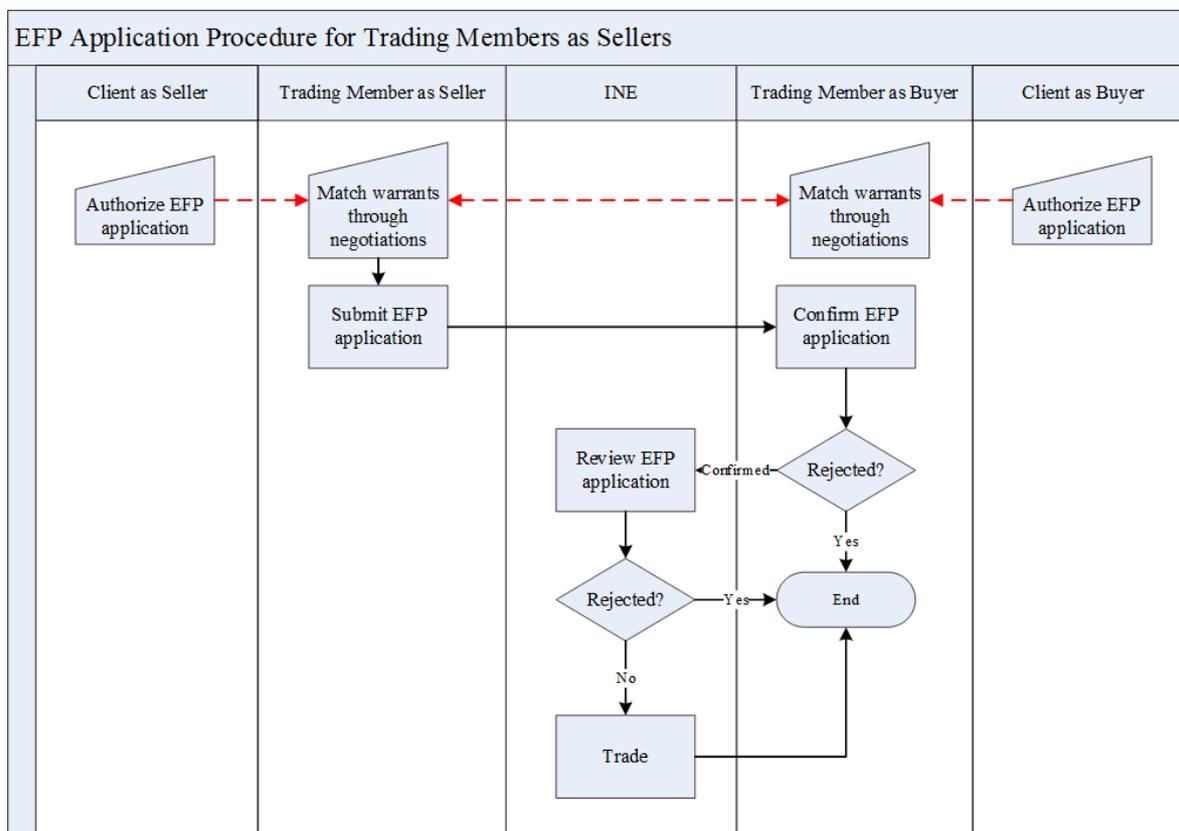


EFP Delivery

EFP APPLICATION

After a buyer and a seller reach a price through negotiations, either party may submit the EFP application to the Exchange (The following procedure takes the Member as seller as the application initiator). After confirming the EFP application made by the Member as seller, the Member as buyer will forward the confirmed application to the Exchange for approval. If any problem is found during the confirmation process, the Member as buyer may reject such application. Likewise, the Exchange may also reject such application if any problem is found in the approval process.

The procedure is as follows:



EFP Delivery

Once the EFP transaction is concluded, the buyer and the seller will enter the delivery procedure. The delivery procedure of EFP is basically the same as the common delivery procedure except that:

1. The Member as seller shall submit the EFP delivery application based on the EFP application forms and the corresponding filled orders; and
2. The Member as buyer shall assign warrants to Clients as buyers based on the EFP application form. Once the warrants are released by the delivery system, the warrants will be directly transferred to the accounts of Clients as buyers without the confirmation by the Member.

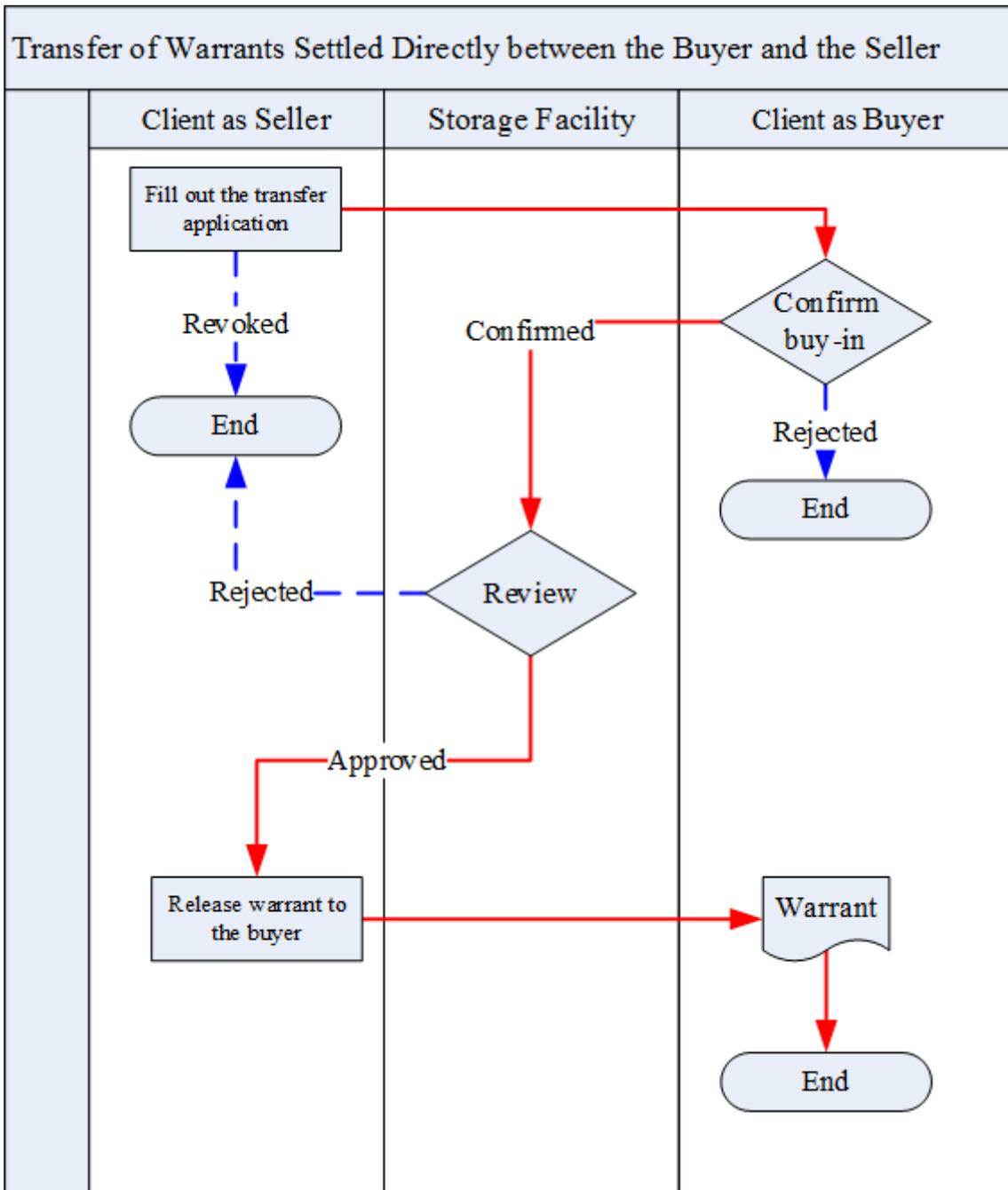
The delivery procedure for EFP is incorporated in the delivery procedure flowchart.

Warrant Transfer

Transferring standard warrants refers to the transfer of ownership of the standard warrants. A Client may choose any underlying commodity for warrant transfer application, and complete relevant transfer procedure. The buyer and the seller in warrant transfer may settle directly between themselves or through the Exchange.

Settlement directly between the buyer and the seller

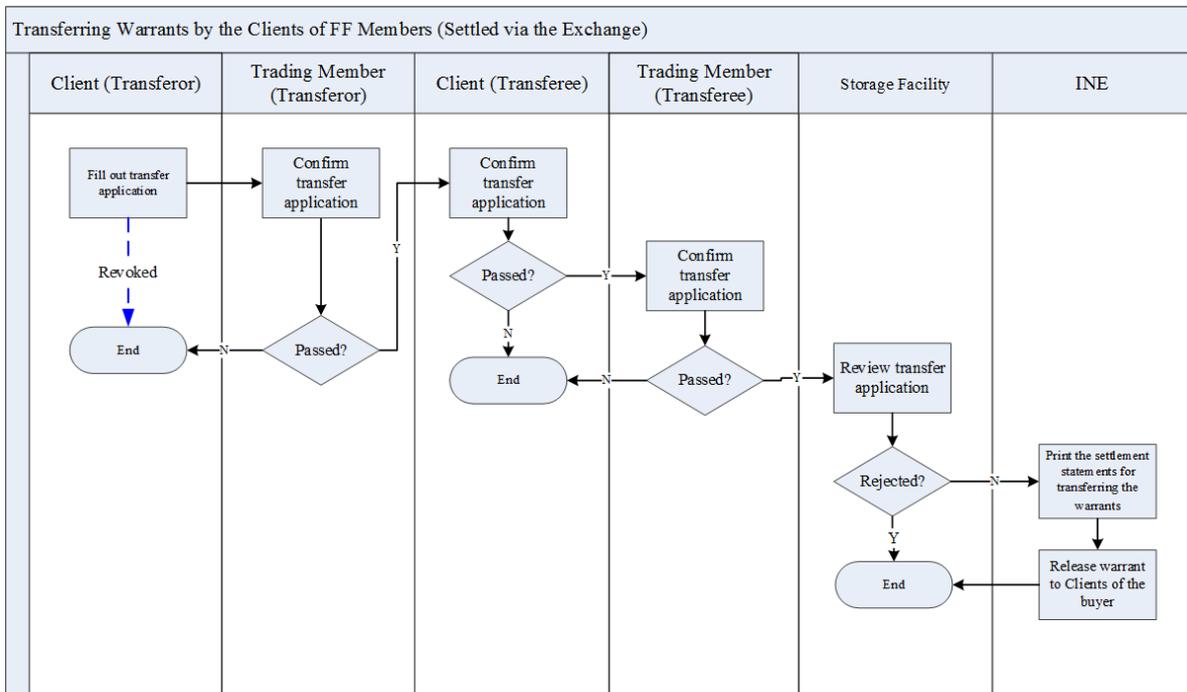
The procedure is as follows :



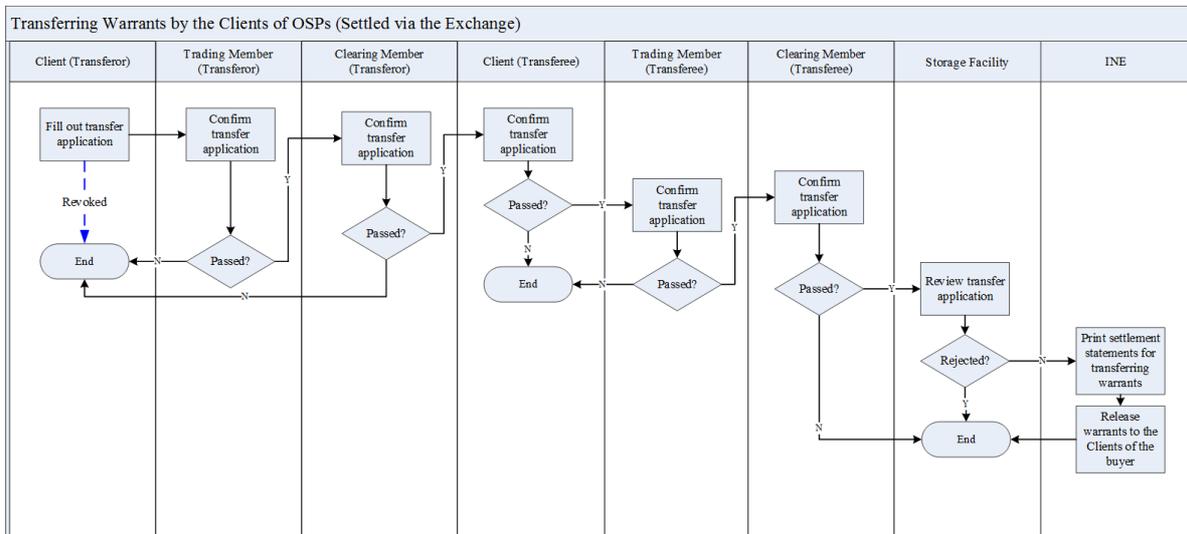
Settlement via the Exchange

If the settlement is conducted via the Exchange, the transfer of standard warrants shall be conducted by a Member.

Transfer of Warrants by the Clients of FF Members



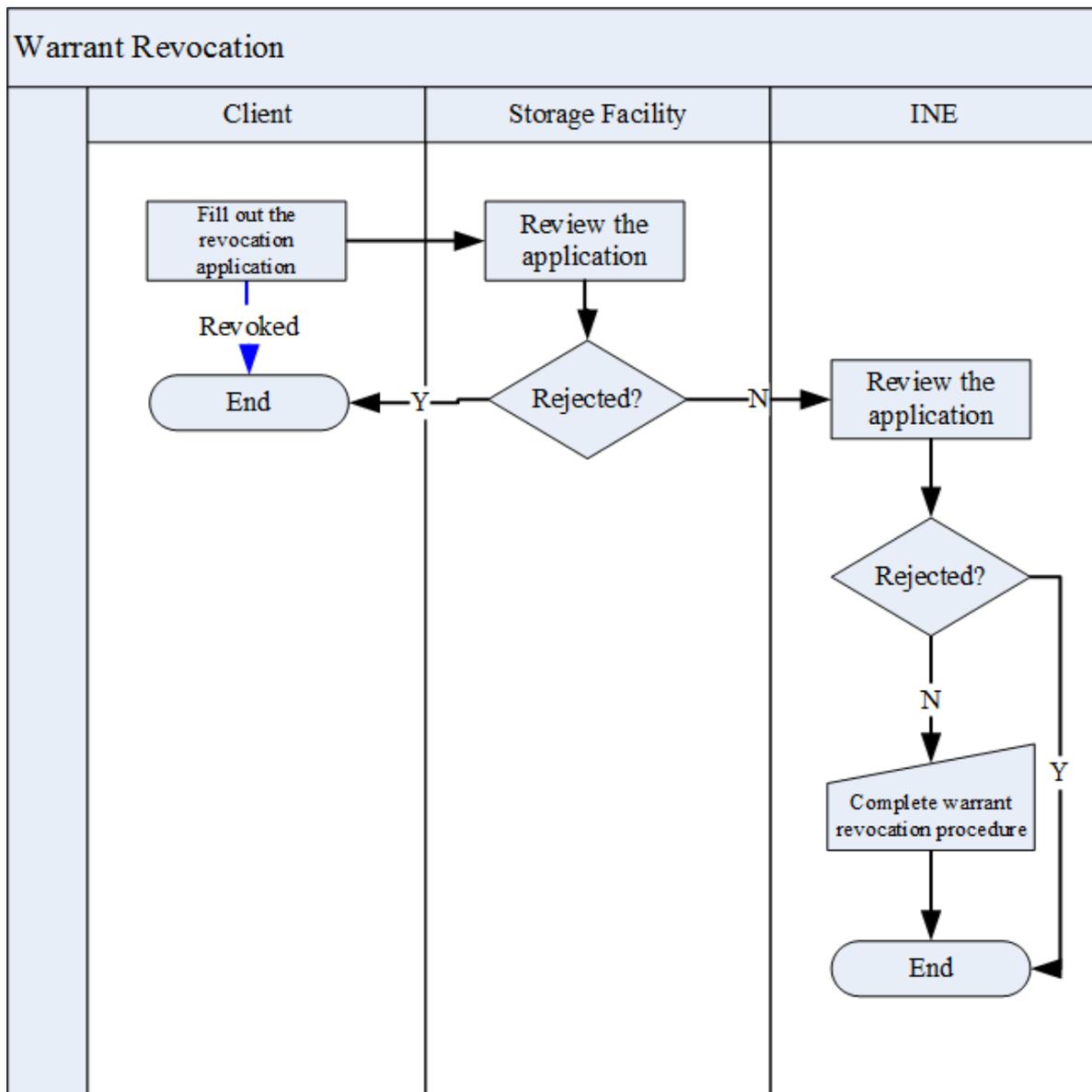
Transfer of Warrants by the Clients of OSPs



Warrant Revocation

The revocation of standard warrants refers to the process when the owner of the standard warrant have objections against the data of the standard warrant issued by the Designated Delivery Storage Facility that has entered into force, the owner shall submit an application for revoking the standard warrant, and the standard warrant will be cancelled after being verified by the Designated Delivery Storage Facility and the Exchange. Clients may choose any underlying commodity of the warrant for warrant revocation application, and complete the procedure for the revocation of corresponding warrants. If the revoked standard warrant needs to be renewed as a corresponding new standard warrant, a new load-in application shall be conducted with the Exchange.

The procedure is as follows:

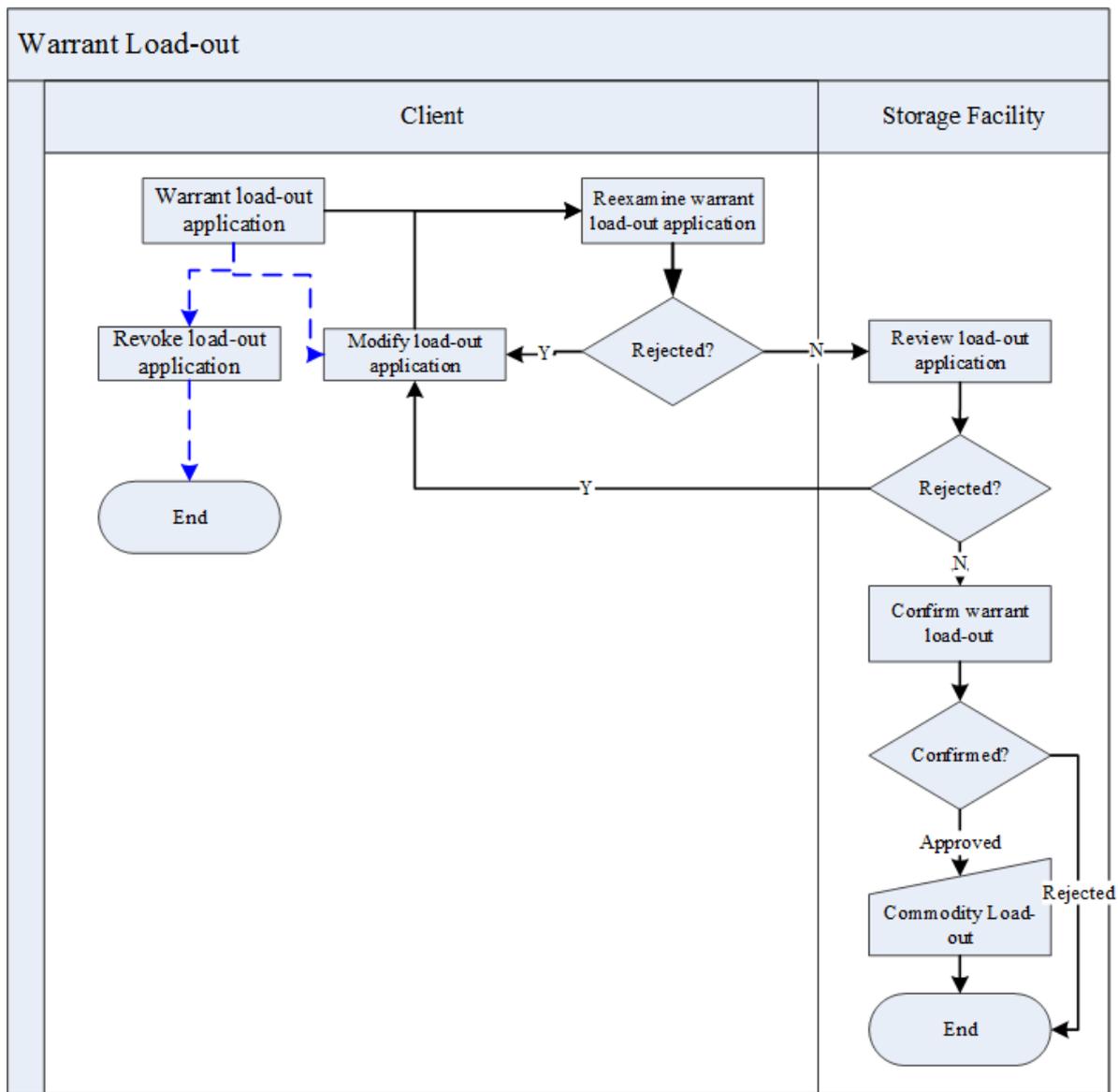


Warrant Load-out

When a warrant owner takes delivery, the owner shall submit a warrant load-out application to the Designated Delivery Storage Facility. The warrant owner shall choose the commodities from the warrant account for load-out, and indicate the load-out quantity and the ways of taking delivery (taking delivery at a storage facility in person, authorizing another party to take delivery, and authorizing the Designated Delivery Storage Facility to take delivery and dispatch commodities).

If the warrant to be loaded out is a bonded warrant, the warrant holder shall make customs declaration according to the provisions prescribed by the Customs. The bonded delivery settlement statement shall also be issued to the person taking delivery. The commodities for the customs declaration and their quantities shall be consistent with those specified in the bonded delivery settlement statement and the bonded warrant list.

The procedure is as follows:

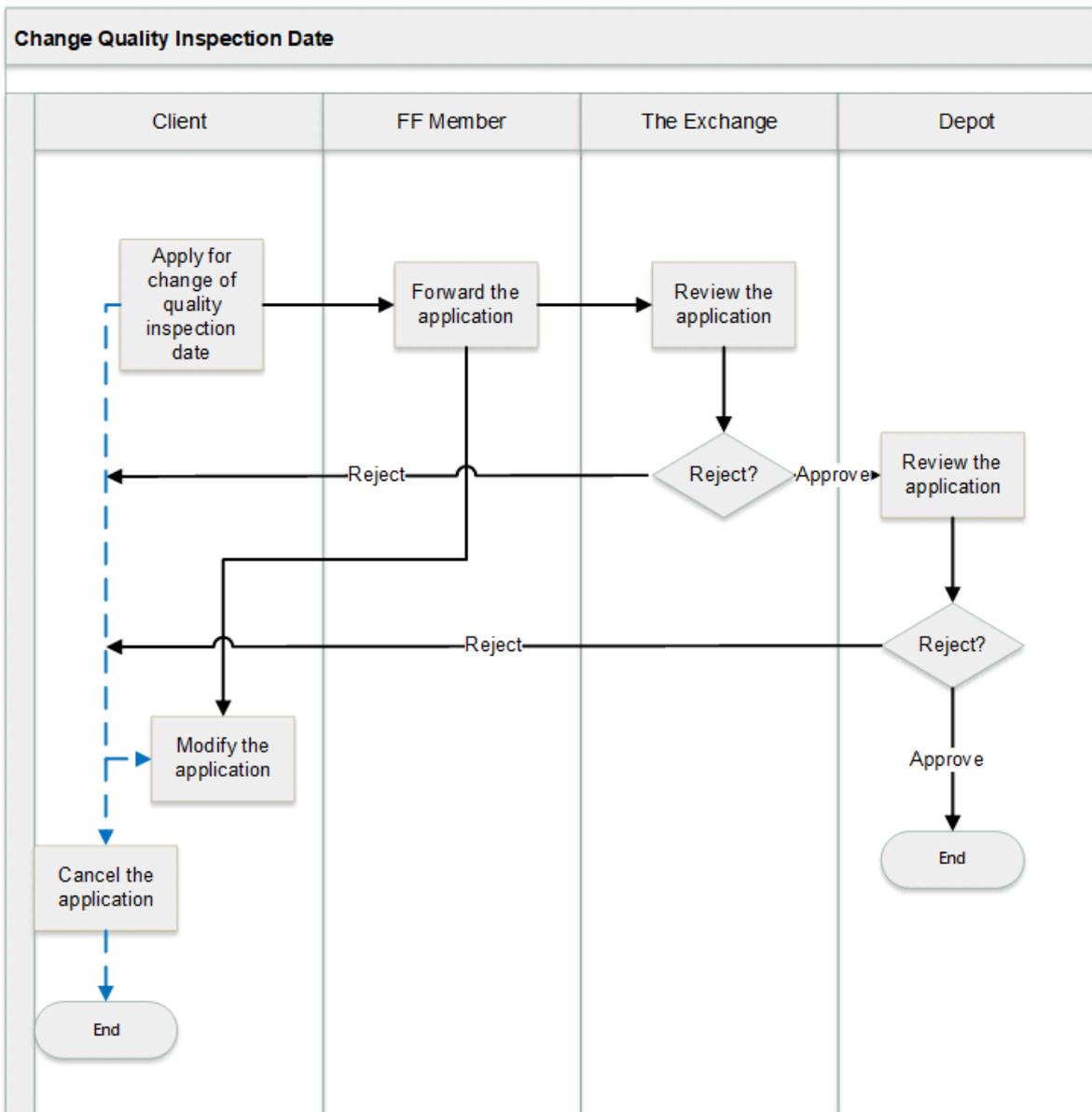


Change Quality Inspection Date

Given that a TSR 20 warrant not within the quality inspection validity period cannot be deposited as margin collateral in the delivery process, a Client, Non-FF Member, or OSNBP may initiate an application for the change of quality inspection date of such warrant.

The procedure is as follows:

Application for Change of Quality Inspection Date Initiated by Client of FF Member



Application for Change of Quality Inspection Date Initiated by FF Member/Non-FF Member/OSBP/OSNBP

Change Quality Inspection Date

