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Shanghai Institute of Futures and Derivatives

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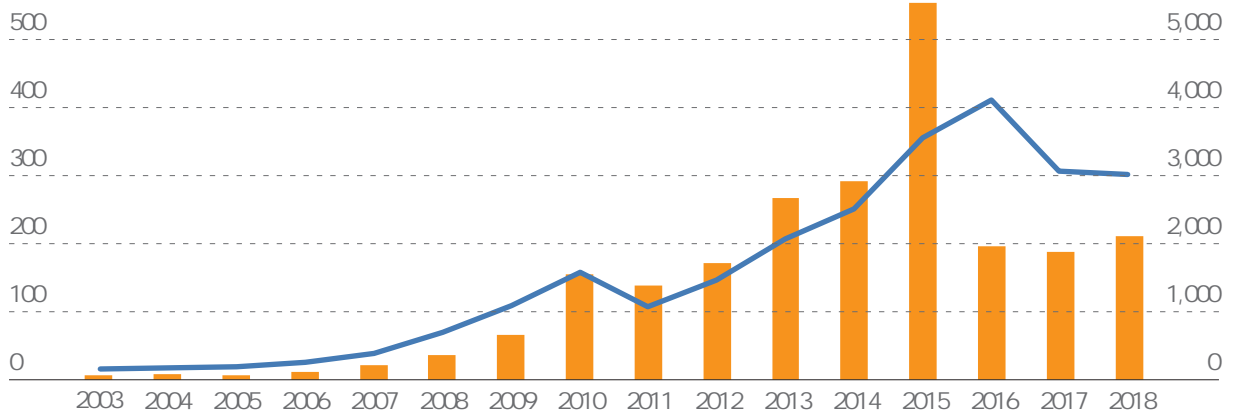
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2018	2017		2018	2017	
1	1	(CME Group)	48.45	40.89	18.48%
2	2	(NSE)	37.90	24.65	53.74%
3	5	(B3)	25.74	18.09	42.26%
4	3	(ICE)	24.74	21.25	16.41%
5	4	(CBOE Holdings)	20.51	18.10	13.30%
6	7	(Eurex)	19.52	16.76	16.46%
7	6	(NASDAQ Group)	18.95	16.77	13.01%
8	8	(MOEX)	15.00	15.85	- 5.32%
9	11	(KRX)	14.08	10.15	38.70%
10	9	(SHFE)	12.02	13.64	- 11.90%
11	12	(BSE)	10.33	6.09	69.51%
12	10	(DCE)	9.82	11.01	- 10.84%
13	13	(ZCE)	8.18	5.86	39.57%
14	15	(HKEX)	4.81	3.72	29.23%
15	19	(MIAX)	4.21	2.32	81.43%
16	16	(JPX)	3.88	3.22	20.44%
17	17	(TAIFEX)	3.08	2.66	15.95%
18	18	(ASX Group)	2.48	2.48	- 0.18%
19	24	BIST	2.36	1.46	61.78%
20	20	(MCX)	2.30	1.99	15.97%

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2018			2018	2017	
1	Soybean Meal Futures	DCE	238.16	162.88	46.22%
2	Rapeseed Meal (RM) Futures	ZCE	104.36	79.74	30.88%
3	Apple Futures	ZCE	99.96	0.79	12490.04%
4	Corn Futures	CBOT	97.39	89.88	8.36%
5	Corn Futures	DCE	66.81	127.32	- 47.53%
6	White Sugar (SR) Futures	ZCE	64.00	61.07	4.80%
7	Natural Rubber Futures	SHFE	61.85	89.34	- 30.78%
8	Soybeans Futures	CBOT	58.54	54.50	7.40%
9	Cotton No. 1 (CF) Futures	ZCE	58.53	26.07	124.54%
10	Soybean Oil Futures	DCE	54.14	57.16	- 5.29%
11	RBD Palm Olein Futures	DCE	44.34	68.05	- 34.83%
12	11 Sugar #11 Futures	ICE	37.01	30.96	19.54%
13	Chicago Soft Red Winter Wheat Futures	CBOT	36.81	33.72	9.16%
14	Rapeseed Oil (OI) Futures	ZCE	35.08	25.99	34.96%
15	Soybean Meal Futures	CBOT	31.84	26.00	22.47%
16	Soybean Oil Futures	CBOT	31.27	30.23	3.42%
17	Corn Options	CBOT	25.54	23.88	6.94%
18	No. 2 Soybean Futures	DCE	24.48	0.04	57423.25%
19	Corn Starch Futures	DCE	22.61	50.43	- 55.16%
20	No. 1 Soybean Futures	DCE	22.11	26.32	- 16.00%

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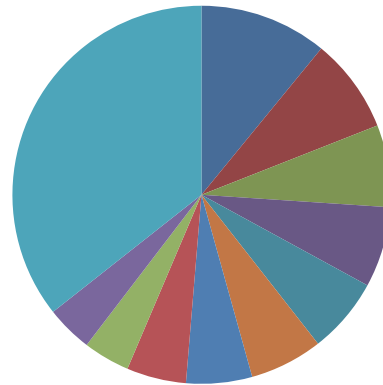
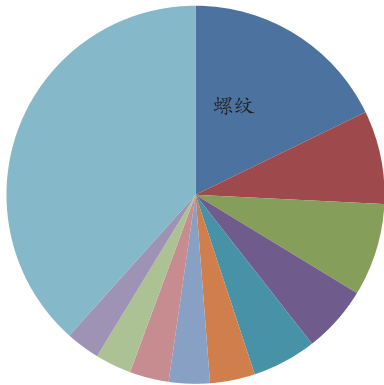
2018			2018	2017	
1	Brent Brent Oil Futures	MOEX	441.38	451.64	- 2.27%
2	WTI Sweet Crude Oil (CL) Futures	WTI Light NYMEX	306.61	310.05	- 1.11%
3	Brent Brent Crude Oil Futures	ICE	235.00	241.54	- 2.71%
4	North American Natural Gas Futures	ICE	156.49	154.48	1.30%
5	Natural Gas (NG) Futures	Henry Hub NYMEX	114.26	108.39	5.41%
6	Gas Oil Futures	ICE	82.67	74.69	10.69%
7	(Crude Oil Mini Futures)	MCX	69.94	54.28	28.86%
8	Bitumen Futures	SHFE	69.80	97.44	- 28.36%
9	Coke Futures	DCE	69.07	40.12	72.16%
10	WTI Sweet Crude Oil Futures	WTI Light ICE	56.80	54.97	3.34%
11	RBOB Gasoline Physical Futures	RBOB NYMEX	49.61	49.91	- 0.60%
12	Thermal Coal (ZC) Futures	ZCE	48.87	30.71	59.16%
13	Coking Coal Futures	(DCE)	46.47	42.19	10.12%
14	NY Harbor ULSD Futures	NYMEX	46.28	43.60	6.15%
15	Crude Oil Options	NYMEX	44.52	42.90	3.78%
16	Fuel Oil Futures	SHFE	39.27	0.00	2742137.08%
17	Crude Oil Futures	MCX	37.21	35.36	5.23%
18	Medium Sour Crude Oil Futures	INE	26.51	-	-
19	Brent Crude Oil Options	ICE Brent ICE	24.94	18.28	36.43%
20	Natural Gas (European) Options	NYMEX	22.85	28.30	- 19.26%

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ICE Global Oil Products Futures

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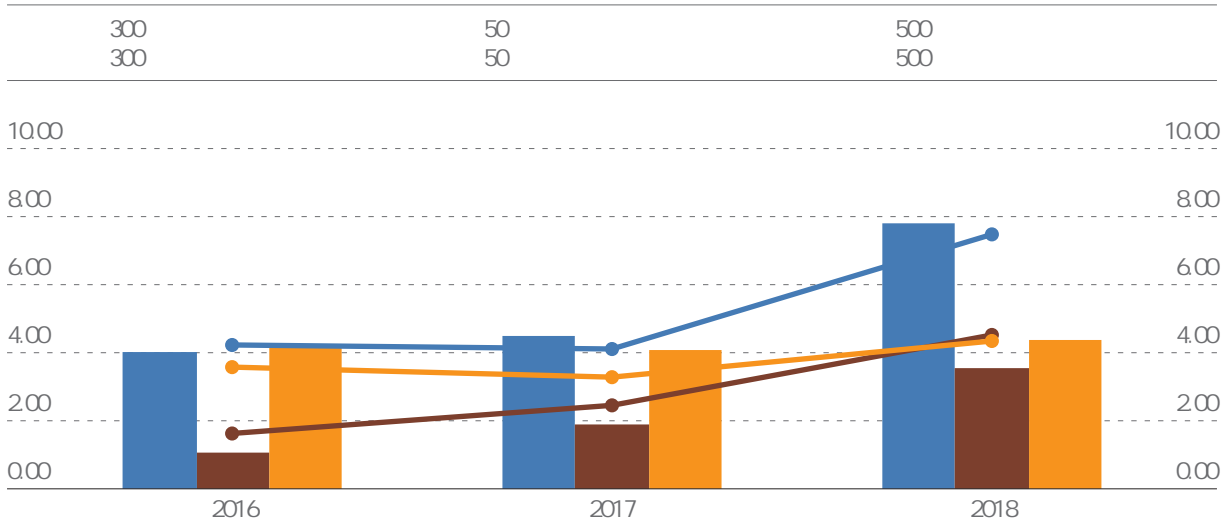
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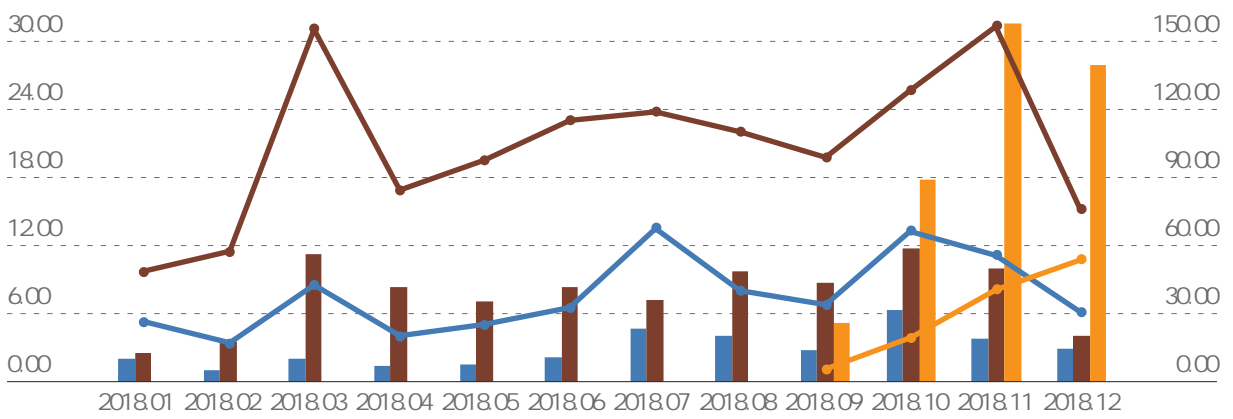


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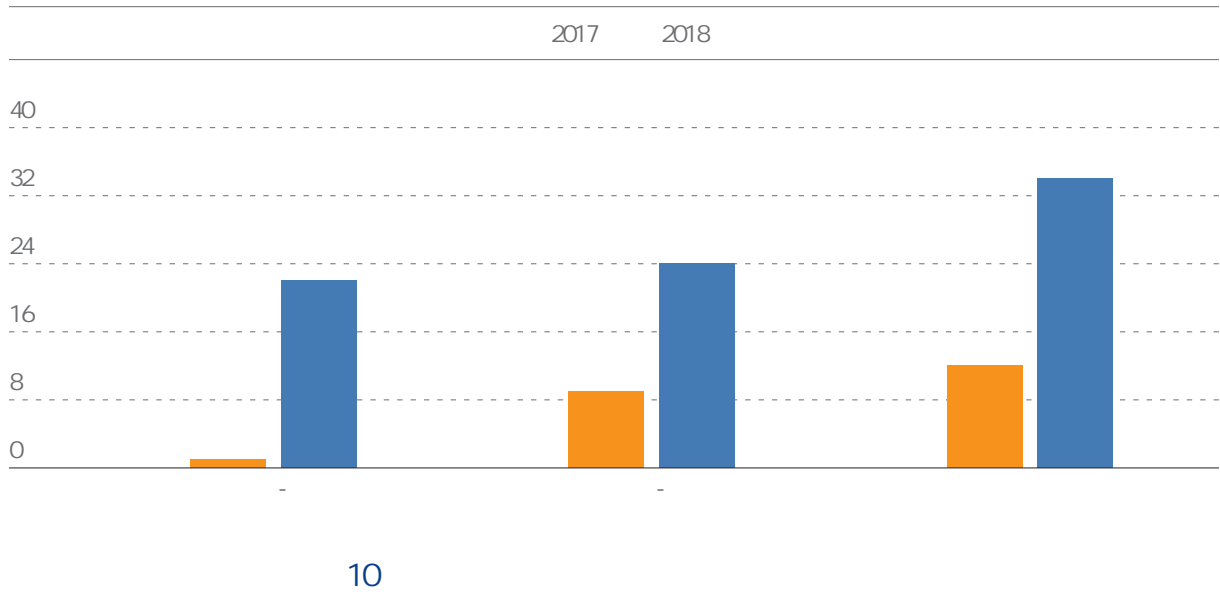
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# The China's Futures Market Development Report 2018

Shanghai Institute of Futures and Derivatives  
2019.04

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# Chapter I: Operational Panorama for China's Futures Market<sup>1</sup>

In 2018, the trading volume of China's futures market<sup>2</sup> amassed 3.029 billion lots, a year-on-year decrease of 1.54%, and a turnover of RMB210.82 trillion, a year-on-year increase of 12.20% (Figure 1).

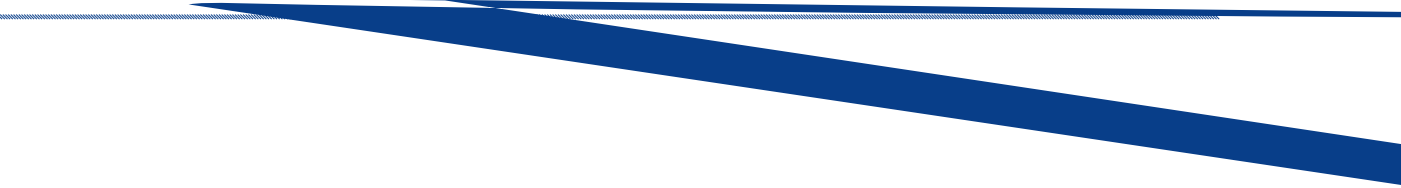
## 1.1 Trading Profile of China's Futures Market

The trading size of the China's futures market fell slightly in 2018, with a cumulative trading volume of 3.029 billion lots, down 1.54% on year-on-year basis. Among them, the trading volume of Shanghai Futures Exchange<sup>3</sup>(hereinafter referred to as "SHFE") amounted to 1.202 billion lots, a year-on-year decrease of 11.90%, accounting for 39.68% of gross trading volume

<sup>1</sup>

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## 1.2 China's Rankings in Global Futures Market<sup>4</sup>

China continued to play a significant role in global futures market in 2018. According to the annual trading volume data of Futures Industry Association ("FIA"), counted on the trading lots, the trading volume of SHFE, DCE, ZCE and CFFEX dropped 1 position to rank 10<sup>th</sup>, went down 2 positions to rank 12<sup>th</sup>, and continued to rank 13<sup>th</sup> and 31<sup>st</sup> in the world, respectively.

**Table 1: The World's Top 20 Exchanges in 2018**  
(Ranked by total trading volume of futures and options)

Ranking 2018	Ranking 2017	Exchange Name	Volume 2018 (100 million lots)	Volume 2017 (100 million lots)	YoY Growth
1	1	Chicago Mercantile Exchange Group (CME Group)	48.45	40.89	18.48%
2	2	National Stock Exchange of India (NSE)	37.90	24.65	53.74%
3	5	Brasil Bolsa Balcão S.A. (B3)	25.74	18.09	42.26%
4	3	Intercontinental Exchange (ICE)	24.74	21.25	16.41%
5	4	Chicago Board Options Exchange (CBOE Holdings)	20.51	18.10	13.30%
6	7	Eurex Exchange (Eurex)	19.52	16.76	16.46%
7	6	National Association of Securities Deal Automated Quotations Group (NASDAQ Group)	18.95	16.77	13.01%
8	8	Moscow Exchange (MOEX)	15.00	15.85	-5.32%
9	11	Korea Exchange (KRX)	14.08	10.15	38.70%
10	9	Shanghai Futures Exchange (SHFE)	12.02	13.64	-11.90%
11	12	Bombay Stock Exchange (BSE)	10.33	6.09	69.51%
12	10	Dalian Commodity Exchange (DCE)	9.82	11.01	-10.84%
13	13	Zhengzhou Commodity Exchange (ZCE)	8.18	5.86	39.57%
14	15	Hong Kong Stock Exchange (HKEX)	4.81	3.72	29.23%
15	19	Miami International Securities Exchange (MIAX)	4.21	2.32	81.43%
16	16	Japan Exchange Group (JPX)	3.88	3.22	20.44%
17	17	Taiwan Futures Exchange (TAIFEX)	3.08	2.66	15.95%
18	18	Australian Securities Exchange Group (ASX Group)	2.48	2.48	-0.18%
19	24	Borsa Istanbul (BIST)	2.36	1.46	61.78%
20	20	Multi Commodity Exchange of India (MCX)	2.30	1.99	15.97%

Source: Futures Industry Association, Shanghai Institute of Futures and Derivatives.

<sup>4</sup> The global futures markets includes the futures and options markets around the world.

If only the trading volume of commodity futures and options in 2018 are counted, the three commodity futures exchanges in China, namely SHFE, DCE and ZCE, ranked 1<sup>st</sup>, 3<sup>rd</sup> and 4<sup>th</sup> in the world (Table 2).

**Table 2: The World's Top 10 Exchanges in 2018**  
(Ranked by total trading volume of commodity futures and options)

Ranking 2018	Ranking 2017	Exchange Name	Volume 2018(100 million lots)	Volume 2017(100 million lots)	YoY Growth
1	1	Shanghai Futures Exchange (SHFE)	12.02	13.64	-11.90%
2	2	Chicago Mercantile Exchange Group (CME Group)	11.82	11.32	4.43%
3	3	Dalian Commodity Exchange (DCE)	9.82	11.01	-10.84%
4	5	Zhengzhou Commodity Exchange (ZCE)	8.18	5.86	39.57%
5	4	Intercontinental Exchange (ICE)	7.97	7.85	1.54%
6	6	Moscow Exchange (MOEX)	4.78	4.91	-2.64%
7	7	Multi Commodity Exchange of India (MCX)	2.30	1.99	15.97%
8	8	Hong Kong Stock Exchange (HKEX)	1.85	1.58	17.53%
9	9	National Association of Securities Deal Automated Quotations Group (NASDAQ Group)	0.24	0.52	-54.43%
10	10	Tokyo Commodity Exchange (TOCOM)	0.24	0.24	-2.32%

Source: Futures Industry Association, Shanghai Institute of Futures and Derivatives.

In terms of trading volumes of major commodity categories in 2018, China ranked among the global top 3 by virtue of many contracts (from Table 3 to Table 5). Among them, Soybean Meal ranked 1<sup>st</sup> in agricultural futures, with a trading volume of 238 million lots; Rapeseed Meal ranked 2<sup>nd</sup> in agricultural futures, with a trading volume of 104 million lots; Apple ranked 3<sup>rd</sup> in agricultural futures, with a trading volume of 104 million lots; Steel Rebar ranked 1<sup>st</sup> in metal futures, with a trading volume of 531 million lots; Iron Ore ranked 2<sup>nd</sup> in metal futures, with a trading volume of 236 million lots; and Nickel ranked 3<sup>rd</sup> in metal futures, with a trading volume of 115 million lots.

In addition, in terms of the trading volume, China's Zinc, Copper, Aluminum, Silver, Ferrosilicon, Silicon Manganese and Gold futures ranked among the top 20 metal derivatives in the world; China's Corn, White Sugar, Natural Rubber, Cotton No.1, Soybean Oil, Palm Oil, Rapeseed Oil, No. 2 Soybean, Corn Starch and No. 1 Soybean futures stood among the top 20 agricultural derivatives in the world; and China's Bitumen, Coke, Thermal Coal, Coking Coal, Fuel Oil and

Crude Oil futures also entered into the top 20 energy derivatives in the world.

**Table 3: The World's Top 20 Agricultural Futures and Options Contracts in 2018  
(Ranked by trading volume)**

Ranking 2018	Contract	Exchange Name	Volume 2018 (Million Lots)	Volume 2017 (Million Lots)	YoY Growth
1	Soybean Meal Futures	Dalian Commodity Exchange (DCE)	238.16	162.88	46.22%
2	Rapeseed Meal (RM) Futures	Zhengzhou Commodity Exchange (ZCE)	104.36	79.74	30.88%
3	Apple Futures	Zhengzhou Commodity Exchange (ZCE)	99.96	0.79	12490.04%
4	Corn Futures	Chicago Mercantile Exchange Group (subsidiary CBOT)	97.39	89.88	8.36%
5	Corn Futures	Dalian Commodity Exchange (DCE)	66.81	127.32	-47.53%
6	White Sugar (SR) Futures	Zhengzhou Commodity Exchange (ZCE)	64.00	61.07	4.80%
7	Natural Rubber Futures	Shanghai Futures Exchange (SHFE)	61.85	89.34	-30.78%
8	Soybeans Futures	Chicago Mercantile Exchange Group (subsidiary CBOT)	58.54	54.50	7.40%
9	Cotton No. 1 (CF) Futures	Zhengzhou Commodity Exchange (ZCE)	58.53	26.07	124.54%
10	Soybean Oil Futures	Dalian Commodity Exchange (DCE)	54.14	57.16	-5.29%
11	RBD Palm Olein Futures	Dalian Commodity Exchange (DCE)	44.34	68.05	-34.83%
12	Sugar #11 Futures	Intercontinental Exchange (ICE)	37.01	30.96	19.54%
13	Chicago Soft Red Winter Wheat Futures	Chicago Mercantile Exchange Group (subsidiary CBOT)	36.81	33.72	9.16%
14	Rapeseed Oil (OI) Futures	Zhengzhou Commodity Exchange (ZCE)	35.08	25.99	34.96%
15	Soybean Meal Futures	Chicago Mercantile Exchange Group (subsidiary CBOT)	31.84	26.00	22.47%
16	Soybean Oil Futures	Chicago Mercantile Exchange Group (subsidiary CBOT)	31.27	30.23	3.42%
17	Corn Options	Chicago Mercantile Exchange Group (subsidiary CBOT)	25.54	23.88	6.94%
18	No. 2 Soybean Futures	Dalian Commodity Exchange (DCE)	24.48	0.04	57423.25%
19	Corn Starch Futures	Dalian Commodity Exchange (DCE)	22.61	50.43	-55.16%
20	No. 1 Soybean Futures	Dalian Commodity Exchange (DCE)	22.11	26.32	-16.00%

Source: Futures Industry Association, Shanghai Institute of Futures and Derivatives.

**Table 4: The World's Top 20 Metal Futures and Options Contracts in 2018  
(Ranked by trading volume)**

Ranking 2018	Contract	Exchange Name	Volume 2018 (Million Lots)	Volume 2017 (Million Lots)	YoY Growth
1	Steel Rebar Futures	Shanghai Futures Exchange (SHFE)	530.98	702.02	-24.36%
2	Iron Ore Futures	Dalian Commodity Exchange (DCE)	236.49	328.74	-28.06%
3	Nickel Futures	Shanghai Futures Exchange (SHFE)	114.82	74.16	54.84%
4	Zinc Futures	Shanghai Futures Exchange (SHFE)	92.35	91.45	0.98%
5	Hot Rolled Coil Futures	Shanghai Futures Exchange (SHFE)	86.82	103.13	-15.82%
6	Gold (GC) Futures	Chicago Mercantile Exchange Group (subsidiary COMEX)	80.30	72.80	10.30%
7	Aluminum Futures	Hong Kong Stock Exchange (subsidiary LME)	65.57	51.43	27.50%
8	Copper Futures	Shanghai Futures Exchange (SHFE)	51.25	54.10	-5.27%
9	Aluminum Futures	Shanghai Futures Exchange (SHFE)	46.62	65.42	-28.74%
10	Silver Futures	Shanghai Futures Exchange (SHFE)	42.25	53.11	-20.45%
11	Copper - Grade A Futures	Hong Kong Stock Exchange (subsidiary LME)	38.60	33.89	13.91%
12	Special High Grade Zinc Futures	Hong Kong Stock Exchange (subsidiary LME)	33.43	29.64	12.78%
13	Copper (HG) Futures	Chicago Mercantile Exchange Group (subsidiary COMEX)	32.71	27.05	20.92%
14	Primary Nickel Futures	Hong Kong Stock Exchange (subsidiary LME)	24.01	21.08	13.90%
15	Silver (5,000 oz) Futures	Chicago Mercantile Exchange Group (subsidiary COMEX)	23.99	23.04	4.13%
16	Ferrosilicon Futures	Zhengzhou Commodity Exchange (ZCE)	21.56	16.28	32.47%
17	Gold Futures	Borsa Istanbul (BIST)	19.36	5.03	284.70%
18	Silicon Manganese Futures	Zhengzhou Commodity Exchange (ZCE)	18.86	24.92	-24.34%
19	Gold Futures	Shanghai Futures Exchange (SHFE)	16.12	19.48	-17.22%
20	Gold Futures	Moscow Exchange (MOEX)	14.53	23.56	-38.35%

Source: Futures Industry Association, Shanghai Institute of Futures and Derivatives.



**Table 5: The World's Top 20 Energy Futures and Options Contracts in 2018  
(Ranked by trading volume)**

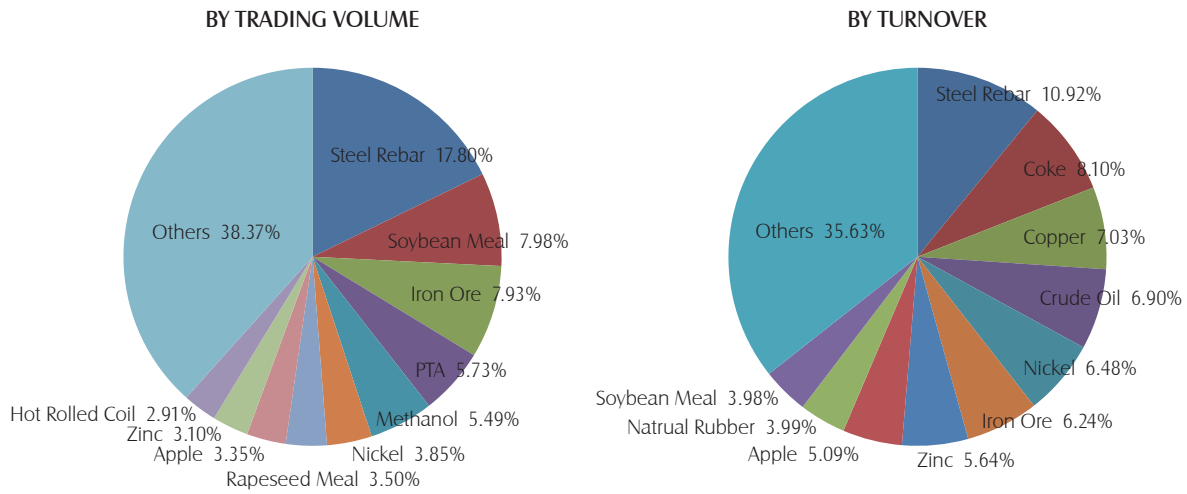
Ranking 2018	Contract	Exchange Name	Volume 2018 (Million Lots)	Volume 2017 (Million Lots)	YoY Growth
1	Brent Oil Futures	Moscow Exchange (MOEX)	441.38	451.64	-2.27%
2	WTI Light Sweet Crude Oil (CL) Futures	Chicago Mercantile Exchange Group (subsidiary NYMEX)	306.61	310.05	-1.11%
3	Brent Crude Oil Futures	Intercontinental Exchange (ICE)	235.00	241.54	-2.71%
4	North American Natural Gas Futures	Intercontinental Exchange (ICE)	156.49	154.48	1.30%
5	Henry Hub Natural Gas (NG) Futures	Chicago Mercantile Exchange Group (subsidiary NYMEX)	114.26	108.39	5.41%
6	Gas Oil Futures	Intercontinental Exchange (ICE)	82.67	74.69	10.69%
7	Crude Oil Mini Futures	Multi Commodity Exchange of India (MCX)	69.94	54.28	28.86%
8	Bitumen Futures	Shanghai Futures Exchange (SHFE)	69.80	97.44	-28.36%
9	Coke Futures	Dalian Commodity Exchange (DCE)	69.07	40.12	72.16%
10	WTI Light Sweet Crude Oil Futures	Intercontinental Exchange (ICE)	56.80	54.97	3.34%
11	RBOB Gasoline Physical Futures	Chicago Mercantile Exchange Group (subsidiary NYMEX)	49.61	49.91	-0.60%
12	Thermal Coal (ZC) Futures	Zhengzhou Commodity Exchange (ZCE)	48.87	30.71	59.16%
13	Coking Coal Futures	Dalian Commodity Exchange (DCE)	46.47	42.19	10.12%
14	NY Harbor ULSD Futures	Chicago Mercantile Exchange Group (subsidiary NYMEX)	46.28	43.60	6.15%
15	Crude Oil Options	Chicago Mercantile Exchange Group (subsidiary NYMEX)	44.52	42.90	3.78%
16	Fuel Oil Futures	Shanghai Futures Exchange (SHFE)	39.27	0.00	2742137.08%
17	Crude Oil Futures	Multi Commodity Exchange of India (MCX)	37.21	35.36	5.23%
18	Medium Sour Crude Oil Futures	Shanghai Futures Exchange (subsidiary INE)	26.51	-	-
19	ICE Brent Crude Oil Options	Intercontinental Exchange (ICE)	24.94	18.28	36.43%
20	Natural Gas (European) Options	Chicago Mercantile Exchange Group (subsidiary NYMEX)	22.85	28.30	-19.26%

Note: ICE Global Oil Products Futures and North American Natural Gas and Power Options are not included in this ranking report since both involve consolidated statistics of two or more than two products.

Source: Futures Industry Association, Shanghai Institute of Futures and Derivatives.

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Source: CFA.

**Figure 4: Top 10 Commodity Futures Products in Trading Volume and Turnover Rankings and Their Contributions in China in 2018**

From a view of major commodity categories, the volume of Fuel Oil increased sharply year-on-year, and its trading volume increased from 1,432 to 39,269 thousand, mainly because of the revision of the original FU180 contract as well as the launch of the bonded FU380 contract by SHFE on July 16, 2018. The trading scale of the new contract has increased steadily since its listing. In addition, there was an increase in the trading volume of Fiberboard, Coke and Thermal Coal, and a drop of more than 20% in the trading volume of Blockboard, LLDPE, Glass, Natural Rubber and Bitumen.

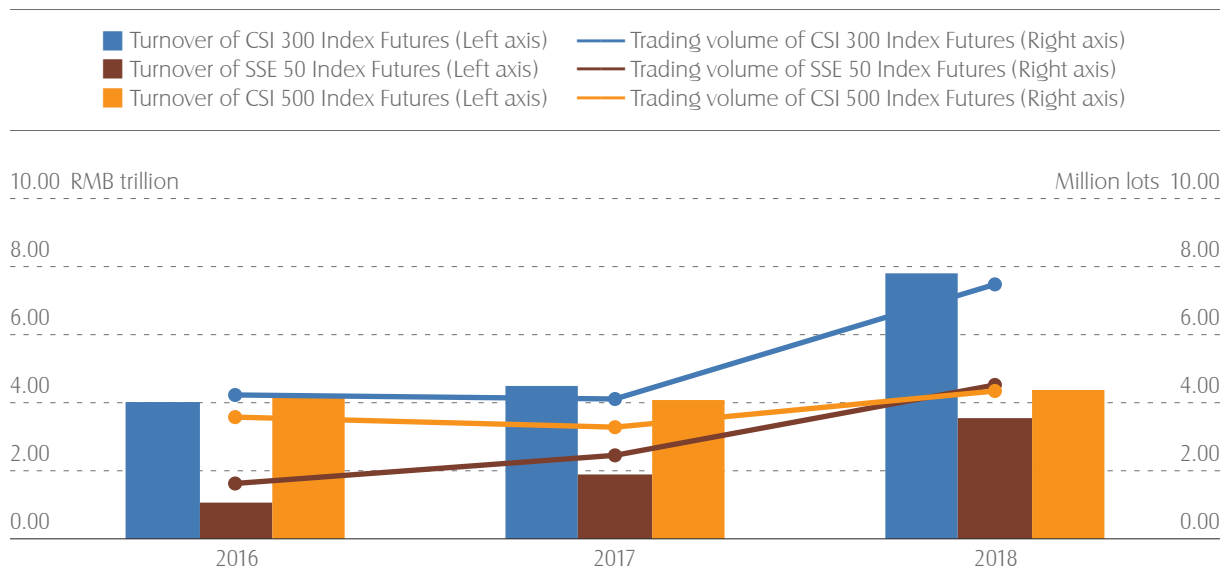
In view of major metal futures, the volume of Wire Rod increased sharply year-on-year, and its trading volume increased from 98 to 157,334, mainly due to the revision and relisting of Wire Rod Futures contracts by SHFE on October 16, 2018. There was also an increase of more than 30% in the trading volume of Nickel, Ferrosilicon and Tin, a slight decrease of 5.27% in the trading volume of Copper, and a drop of more than 20% in the trading volume of Aluminum, Iron Ore, Steel Rebar, Silicon Manganese and Silver.

As for major agricultural futures, Late Indica Rice, No.2 Soybean, Apple, Japonica Rice, Early Indica Rice and Cotton Yarn saw a dramatical increase of more than 10 times in their trading volume compared with 2017, respectively. There was also an increase of more than 30% in the trading volume of Wheat PM, Cotton No.1, Soybean Meal, Rapeseed Oil and Rapeseed Meal, a slight decrease in the trading volume of Soybean Oil, No.1 Soybean and Rapeseed, and a drop of more than 30% in the trading volume of Wheat WH, Corn Starch, Corn, Egg and Palm Oil.



### 1.4 Operational Profile of China's Financial Futures Market<sup>6</sup>

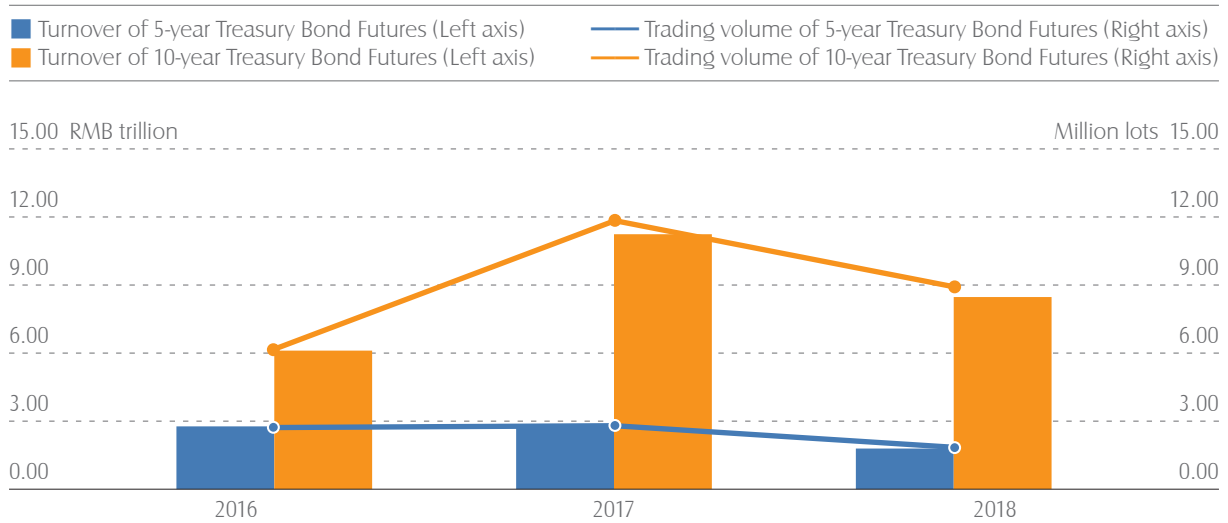
The cumulative trading volume and turnover of China's financial futures market totaled 27 million lots and RMB26.12 trillion in 2018, a year-on-year increase of 10.63% and 6.22%, respectively. As for stock index futures, CSI 300 Index Futures saw a trading volume of 7.4868 million lots and a turnover of RMB7.83 trillion, respectively increasing by 82.56% and 73.59% on year-on-year basis; SSE 50 Index Futures, a trading volume of 4.5173 million lots and a turnover of RMB3.52 trillion, respectively increasing by 84.86% and 85.45% on year-on-year basis; and CSI 500 Index Futures, a trading volume of 4.3402 million lots and a turnover of RMB0.439 billion, respectively increasing by 32.39% and 7.10% on year-on-year basis (Figure 5). Among Treasury Bond Futures, 5-year Treasury Bond Futures recorded a trading volume of 1.843 million lots and a turnover of RMB1.80 trillion, respectively decreasing by 34.68% and 34.72% on year-on-year basis; 10-year Treasury Bond Futures, a trading volume of 8.9887 million lots and a turnover of RMB8.52 trillion, respectively decreasing by 24.77% and 24.84% on year-on-year basis (Figure 6); and 2-year Treasury Bond Futures, a trading volume of 34.1 thousand lots and a turnover of RMB67.835 billion since its listing on August 2018 (Figure 7).



Source: CFA.

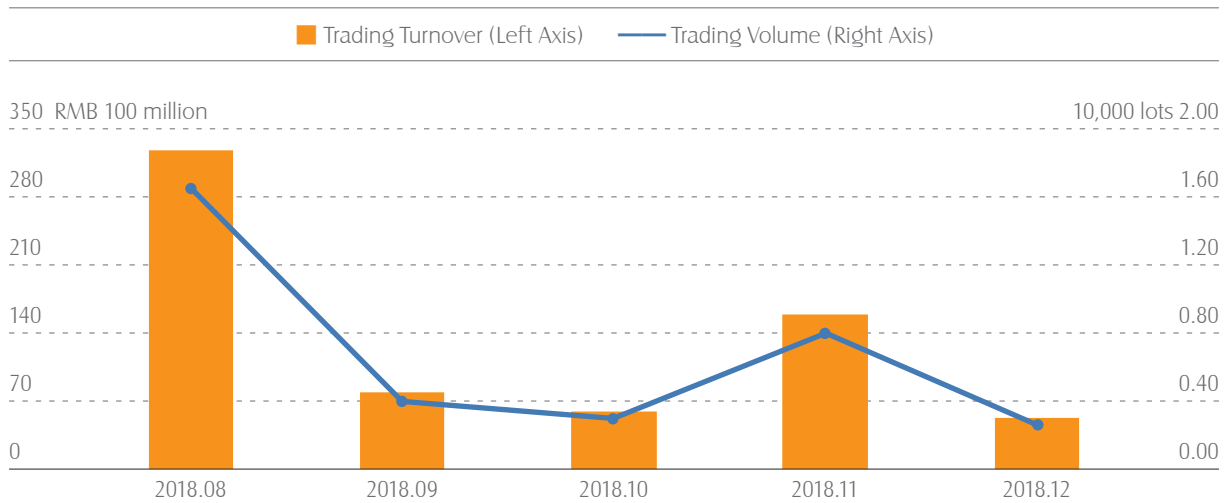
Figure 5: Trading Volume and Turnover of Stock Index Futures over Years 2016-2018

<sup>6</sup> The trading volume and turnover of "China's financial futures market" do not include those of SSE 50 ETF Options.



Source: CFA.

**Figure 6: Trading Volume and Turnover of 5-year Treasury Bond Futures and 10-year Treasury Bond Futures over Years 2016-2018**



Source: CFA.

**Figure 7: Trading Volume and Turnover of 2-year Treasury Bond Futures in 2018**

### 1.5 Operational Profile of China's Commodity Options Market

Year of 2018 is the second year after the listing of China's commodity options, and the very first year for the listing of industrial options. In 2018, China's commodity options market totaled a trading volume of 18.3088 million lots, and a turnover of RMB21.017 billion, respectively increasing by 257.03% and 449.58% on year-on-year basis. Among them, Soybean Meal Options recorded a trading volume of 12.5216 million lots, up 244.41% on year-on-year basis, and a turnover of RMB9.266 billion, up 287.94% on year-on-year basis; White Sugar Options, a trading volume of 4.5934 million lots, up 207.79% on year-on-year basis, and a turnover of RMB3.463 billion, up 141.02% on year-on-year basis. Since its listing in SHFE on September 2018, Copper Options had amassed a trading volume of 1.1938 million lots and a turnover of RMB8.289 billion (Figure 8).

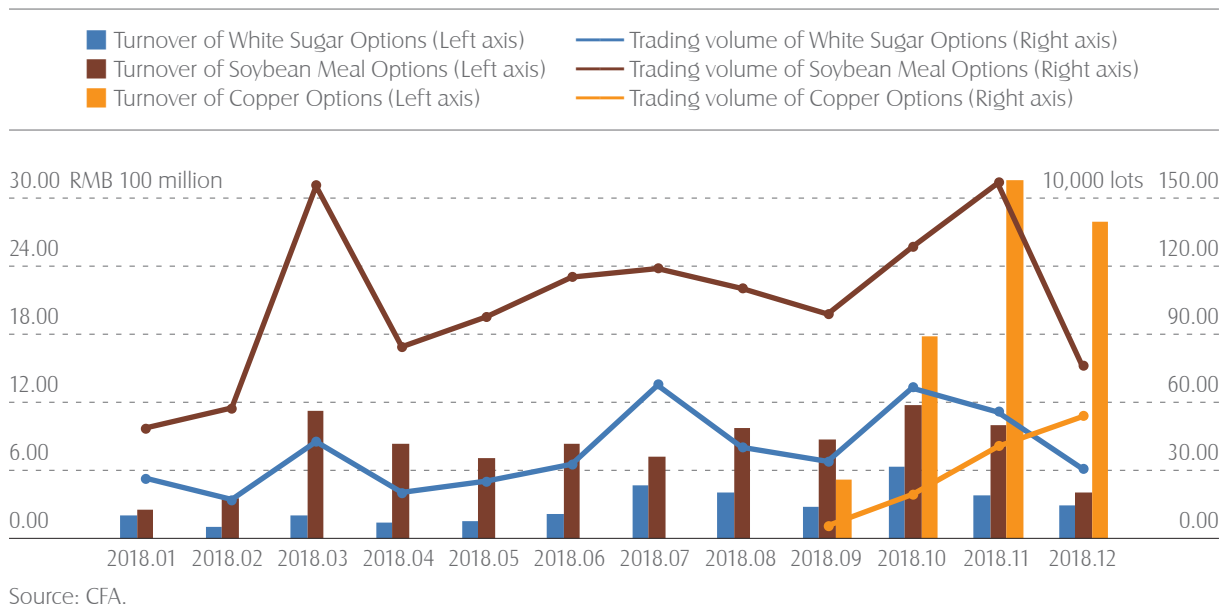


Figure 8: Trading Volume and Turnover of Commodity Options in 2018





brokers to participate in specified products trading directly. CFFEX and DCE have successfully registered the Legal Entity Identifiers that will help CFFEX and DCE to apply international certifications.

The CSRC has further strengthened cross-border regulation and collaboration in order to better meet the needs of the opening of the futures market. In 2018, the CSRC concluded a Memorandum of Understanding Regarding the Securities and Futures Regulatory Cooperation respectively with Kazakhstan's Astana Financial Services Authority, Securities and Exchange Organization of Iran and Cayman Islands Monetary Authority. In the same year, the CSRC also signed a Memorandum of Understanding Regarding the Regulatory Cooperation on Cross-Boundary Regulated Entities and the Exchange of Information with the HKSFCA, a Memorandum of Understanding Regarding the Promotion of Cooperation between Securities Markets of the Two Countries with the Financial Services Agency of Japan (JFSA), and a Joint Letter of Cooperation (the Letter) with the Autorité des Marchés Financiers (AMF). In addition, the CSRC also entered into a Memorandum of Understanding Regarding the Futures Regulatory Cooperation and the Exchange of Information with the Monetary Authority of Singapore (MAS) to further deepen the regulatory cooperation between the two sides in the field of futures and related derivatives. As at end of 2018, the CSRC had established a cross-border regulatory and law enforcement cooperation mechanism successively with securities and futures regulators in 63 regions and countries.<sup>7</sup>

## 2.2 Accelerating Introduction of New Futures and Options

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<sup>7</sup> Source: the website of the CSRC.

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prices. Since the launch of SHFE Standard Warrant Trading Platform, the overall operation of the market has been smoothed, and the transactions on the market have been active due to the steadily increasing participant enterprises. As at end of December, a total of 6 non-ferrous metal products, such as copper and aluminum, had been launched on SHFE Standard Warrant Trading Platform, totaling a trading volume of 177,997 warrants, or 4.1088 million tons, and a turnover of RMB80.417 billion.<sup>9</sup> As a significant innovation for the combination of futures trading with spot trading, SHFE Standard Warrant Trading Platform has initially given play to its function of serving the development of real economy. In December, DCE officially launched the commodity swap business to offer comprehensive services such as trading register and settlement to OTC derivatives. 26 institutions have entered the first batch of commodity swap traders, including 5 banks, 3 securities companies and 18 risk management companies.<sup>10</sup> The launch of commodity swap business by DCE has opened up an innovative path for industrial enterprises to manage inventory and price risks by utilizing derivatives market, and initially constructed a new mechanism.

Positive progress has also been made in the regulation of OTC market. In January, the CSRC promulgated the financial industry series standard of OTC Market Trading System Interface for the Securities and Futures Industry in a bid to clarify and standardize the data exchange interfaces for quotations, order and settlement between the OTC trading system and the counter system of securities and futures companies. In May, the CSRC and the World Bank held an OTC derivatives regulatory round-table conference in which experts from both home and abroad introduced the development status quo and relevant regulatory experience of international OTC derivatives market. In December, the Securities Association of China, the China Futures Association and the Asset Management Association of China further improved derivatives trading in the securities and futures market by changing the name of "Master Agreement on OTC Derivatives Trading in China Securities Futures Market (2014 Edition)" as "Master Agreement on Derivatives Trading in China Securities Futures Market". Though the content of the Agreement remains unchanged, the new Agreement will apply to all OTC derivatives except credit protection contracts. In the same month, the OTC derivatives trading report library of China Futures Market Monitoring Center (hereinafter referred to as the "Monitoring Center") has been launched online, which is conducive to improving the level of technological supervision and regulatory informatization of the derivatives market.

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<sup>9</sup> Source: SHFE Standard Warrant Trading Platform.

<sup>10</sup> See the Notice on the Approval of First Batch of Commodity Swap Traders announced by DCE.



Futures" project of iron ore, jointly initiating the research on the "Insurance + Futures" model based on industrial iron ore.<sup>14</sup>

## 2.5 Increasingly Perfecting of Futures Market Legal Regulatory System

In 2018, the futures market has entered a new era of diversified opening along with the listing of a number of futures and options, as well as increasing in globalized products. In a bid to better meet the needs of opening to the outside world and market innovation, the CSRC, the CFA, the Monitoring Center and relevant regulatory authorities have revised and supplemented the legal system in the following four areas (Table 7).

In view of the upper law for the futures market, Fang Xinghai, Vice Chairman of the CSRC, said at Zhengzhou International Futures Forum in September that the CSRC would vigorously promote the process of futures legislation. In the same month, the draft of futures law was included in the Category II items of the legislative plan promulgated by the Standing Committee of the 13th National People's Congress, which means the draft law that needs to be drew up speedily and submitted for deliberation when the conditions mature.

With regard to the integrity construction of the futures industry, the CSRC promulgated the Measures for Supervision and Administration of Integrity in Securities and Futures Market in March. In a bid to strengthen the integrity and self-discipline of futures companies, the CFA formulated and issued the Norms for the Integrity of the Futures Industry in October.

For the purpose of optimizing the ecological environment of the capital market, the CSRC promulgated the Regulations on Incorruptible Practice of Securities and Futures Operating Institutions and Their Staff in June, which serve as the overall regulatory requirements for the integrity of the securities and futures industry, define the applicable scope and essential requirements, and call for the establishment and improvement of the internal control of clean and honest management by the securities and futures operating institutions.

In the field of informatization construction and management, the CSRC promulgated a series of financial industry standards such as the Guidelines for the Classification and Grading of Data in the Securities and Futures Industry, the Code for the Implementation of Internal Enterprise Service Bus of the Securities and Futures Institutions, and the Data Interface for Account Opening of Customers in Futures Market in September, which are helpful for the industrial institutions to effectively screen the needs of rational data usage, effectively identify the latent data risks, continuously strengthen the data security management, establish and

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<sup>14</sup> Based on published information from the three domestic commodity futures exchanges.

improve the data management system, and to maintain the safe operation of the market. In particular, the Data Interface for Account Opening of Customers in Futures Market has realized the seamless connection of customer information between the exchange systems and the futures firm systems, and effectively strengthened the unity and standardization of customer account opening information.

**Table 7: Improvement of Futures Market's Major Laws and Regulations in 2018**

Date	Regulations	Promulgated by	Status
Jan.18	The OTC Market Trading System Interface for Securities and Futures Industry	CSRC	Effective
Mar.28	The Measures for Supervision and Administration of Integrity in Securities and Futures Market	CSRC	Effective
Jun.27	The Regulations on Incorruptible Practice of Securities and Futures Operating Institutions and Their Staff	CSRC	Effective
Aug.24	The Administrative Measures on Foreign-invested Futures Companies	CSRC	Effective
Sept.7	The Futures Law	Financial & Economic Committee of the NPC	Legislative Planning
Sept.14	Technical Specifications for Information Collection and Access Authentication of Client Trading Terminals in Futures Companies	Monitoring Center	Effective
Sept.27	The Guidelines for the Classification and Grading of Data in the Securities and Futures Industry	CSRC	Effective
Sept.27	The Code for the Implementation of Internal Enterprise Service Bus of the Securities and Futures Institutions	CSRC	Effective
Sept.27	The Data Interface for Account Opening of Customers in Futures Market	CSRC	Effective
Sept.28	The Administrative Measures on Representative offices of Overseas Securities and Futures Exchanges in China (Exposure Draft)	CSRC	Soliciting Opinions
Oct.19	The Norms for the Integrity of the Futures Industry	CFA	Effective
Oct.22	The Administrative Measures on Privately offered Assets Management of Securities and Futures Operating Institutions	CSRC	Effective
Oct.22	The Administrative Regulations on the Operation of Privately Offered Assets Management Plan of Securities and Futures Operating Institutions	CSRC	Effective
Oct.30	The Regulations on the Classified Supervision of Futures Companies	CSRC	Soliciting Opinions
Nov.30	The Opinions on Fully Promoting the Construction of Diversified Securities and Futures Related Disputes Resolution Mechanism	Supreme People's Court and CSRC	Effective

Source: Based on published information.

## 2.6 Expediting the Regulatory Technology Construction by Propelling See-through Supervision

At the Capital Market Summit Forum in 2018, Yan Qingmin, Vice Chairman of the CSRC said that it is necessary to adhere to the concept of comprehensive and strict supervision in accordance with the law, strengthen the front-line supervision of the exchanges, vigorously promote the See-through Supervision, constantly upgrade the level of technology and intelligence of supervision and effectively prevent, control, and resolve material financial risks. In order to further implement the requirement of See-through Supervision in the futures market and guide the relevant market players to do well in the information collection and access authentication of client trading terminals, the CSRC clarified the management responsibility of futures companies for customer trading behavior and trading terminal information by issuing the Notice on the Matters Related to Further Strengthening the Information Collection of Client Trading Terminals of Futures Operating Institutions in September. In the same month, the Monitoring Center also released the Technical Specifications for Information Collection and Access Authentication of Client Trading Terminals of Futures Companies to technologically standardize the information collection of client trading terminals by futures companies.

At the CSRC Working Conference 2018, the CSRC called for vigorously promoting intelligent and scientific supervision, constantly strengthening the inspection and law enforcement, and severely cracking down all kinds of law and rule violations. In May, the Technology Supervision Expert Consultation Committee of the CSRC was established, which is composed of academicians of the two Academies, collegiate scholars and experts from business circles. At the end of the same month, the Work Plan on Scientific and Technological Construction of Inspection and Law Enforcement was officially issued and implemented to advocate an all-round push on the construction of Six Major Projects<sup>15</sup> covering all links of securities and futures inspection and law enforcement. In August, the CSRC officially issued the Overall Construction Scheme on the CSRC Supervision Technology that clearly defines the needs and contents of various types of information construction work for supervision technology v1.0, v2.0 and v3.0, and provides a definite roadmap and timetable for the promotion of supervision technology work, indicating that the CSRC has entered a stage of comprehensive implementation by completing the top-level design of supervision technology construction.

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<sup>15</sup> Six Major Projects refer to the projects of data concentration, data modeling, forensic software, quality control, case management and investigation assistance.

## 2.7 Implementing Optimization Measures on Stock Index Futures and Easing Trade Restrictions with a Three-pronged Approach

On December 1, Fang Xinghai, Vice Chairman of the CSRC said at the 14<sup>th</sup> China (Shenzhen) International Futures Conference that for the purpose of continuously expanding the breadth and depth of the futures market, it is necessary to prepare for the resumption of normal trading in stock index futures. And then, CFFEX had made the move to adjust the trading of stock index futures on the second day of the same month: firstly, it will reduce the margin requirement for CSI 300 Index Futures and SSE 50 Index Futures to 10 percent and that for CSI 500 Index Futures to 15 percent; secondly, the exchange also raised the intraday trading limit on a single index futures contract by non-hedging accounts to 50 lots, with anything above seen as abnormal trading. Hedging transactions will be excluded from this restriction; thirdly, commission fees for intra-day position-closing will be lowered to 0.046 percent of the transaction value.

After a number of restrictions were introduced to curb the speculation in stock index futures as a result of the stock market turbulence in 2015, CFFEX had relaxed restrictions on stock index futures trading twice in 2017, but with relatively limited overall extent. In this adjustment in the trading of stock index futures, the margin requirements and transaction fees have been significantly reduced compared with the previous periods. The trading margin requirements have been close to levels before the stock market turbulence in 2015, and the regulatory criterion for intraday excessive trading has also been raised, which all exceed the expectation of the market (Table 8). CFFEX has responded to the calling



**Table 8: An Overview on the Adjustments made on the Trading of Stock Index Futures Since the Stock Market Turbulence**

Time of adjustment	IF& IH—margin requirement	IC—margin requirement	Intraday trading limit on a single index futures contract by non-hedging accounts	Commission fees for intra-day position-closing
Before the stock market turbulence in Jul. 2015	10%	10%	N/A	0.5/0.25‰
Sept.7,2015	40%	40%	10 lots	23‰
Feb,17,2017	20%	30%	20 lots	9.2‰
Sept.18,2017	15%	-	-	6.9‰
Dec.3,2018	10%	15%	50 lots	4.6‰

Note: IF - CSI 300 Index Futures; IC - CSI 500 Index Futures; IH - SSE 50 Index Futures.  
Source: CFFEX.

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of forward, swap and OTC options reached RMB598 million, RMB1.45 billion and RMB55.057 billion, up 79,679%, 690% and 519% on year-on-year basis, respectively.<sup>17</sup>

For the purpose of further standardization of OTC options development, relevant laws and regulations have also been constantly perfecting and evolving. The CFA issued the Circular on Further Strengthening the OTC Derivatives Operations of Risk Management Companies on August 2. The Circular regulates the OTC derivatives operations of futures risk management companies in more detail, focusing on the relevant requirements on the scope of industrial participation, participants and operating norms, and requires that all risk management companies should immediately carry out self-inspection and assessment as from the date of release, during which the OTC derivatives operations of individual stocks must be suspended. On the 24<sup>th</sup> day of the same month, the CFA announced that 7 risk management companies that meet the requirements for carrying out OTC derivatives operations can resume their business after reporting the designated special accounts through the Comprehensive Information Management System of Risk Management Companies.

### **3.2 Transformation of Futures Assets Management Business Just in Time with the Implementation of New Rules**

In October 2018, the CSRC issued the Administrative Regulations on the Operation of Privately Offered Asset Management Plan of Securities and Futures Operating Institutions, as well as the Administrative Measures on Privately Offered Asset Management of Securities and Futures Operating Institutions. These new regulations and measures refine the regulatory requirements for the privately offered asset management of securities and futures operating institutions, establish such basic principles as "Sellers' Due Diligence and Buyers at Their Own Risk", and set the minimum investment in the asset management scheme of non-standard assets at RMB1 million by drawing lessons from public offering experience that adheres to the rules such as improving the investment operating system and strengthening key risk prevention and control. The issuance of these detailed rules on asset management is conducive to promoting the unification of regulatory criteria for similar asset management operations, further improving the level of compliance management and risk control of privately offered asset management of securities and futures operating institutions, effectively protecting the legitimate rights and interests of investors and preventing systematic risks.

With the introduction of new rules and regulations on asset management one after another,

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<sup>17</sup> See the Report on Risk Management Companies Pilot Operations (the 12<sup>th</sup> edition in 2018, or the 24<sup>th</sup> edition in total) published by the CFA.

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executives of foreign-invested futures companies must perform their duties onsite within the territory of China. After the promulgation of the Administrative Measures, the CSRC has



Futures Firm	IPO Time	The Market for IPO
Jinrui Futures	-	IPO application terminated in May 2018 (Submitted in 2017)
Holly Futures	-	Pending IPO in A-share market (Submitted in 2017), listed in HKEX

Source: National Equities Exchange and Quotations ("NEEQ"), Shanghai Institute of Futures and Derivatives.

### 3.5 Successive Punishments of Futures Companies due to intensified Industrial Regulation

In 2018, with the daily regulatory inspection of the futures industry intensified, the number of administrative and self-regulatory measures increased significantly compared with the previous year, and asset management operations became the hardest hit area for futures companies being punished.

As at the end of December 2018, a total of 28 futures companies had been punished 34 times by local Securities Regulatory Bureaus, including 27 times of ordering to make corrections, 5 times issuance of warning letter and 2 times of imposing fines on relevant responsible person. And a total of 22 futures companies had been subject to the disciplinary measures of the CFA, among which 20 were given the disciplinary punishment of "Public Condemnation", and 2, the disciplinary punishment of "Admonition". Futures companies practitioners were given the disciplinary measures 24 times by the CFA, resulting in 6 people being disqualified (Figure 10). As for the specific reasons for punishment, there were 22 punishments for non-compliance asset management operations, accounting for nearly half of the total. Non-compliance asset management operations mainly involved risk control, asset placement, leverage multiples restriction and "fund pool".<sup>19</sup>

In addition, the supervision of futures companies has been imposed at an increasingly finer level of granularity. For instance, Minmetals & Jingyi Futures was instructed to make corrections by Jilin Securities Regulatory Bureau for fabricating academic credentials by the head of the business department, and Guangzhou Finance Holdings Futures was ordered to make corrections by Guangdong Securities Regulatory Bureau for leasing offices and providing account opening service in different places.

<sup>19</sup> Source: Based on the information published by the CSRC and its agencies and the CFA.





At the end of October 2018, with the aim of adapting to the developing trends of the futures market and guiding futures companies to focus on their main business, operate lawfully, develop steadily, make themselves better and stronger and upgrade the service ability and competitiveness of the futures industry, the CSRC revised the Regulations on Classified Supervision of Futures Companies and solicited opinions from the public, which adds new merit items such as capabilities of serving real economy indicator and asset management product daily average derivatives interests indicator and also expands the specific situations of "Downgraded by One Vote". It can be predicted that the rolling out of new regulations will further guide futures companies to concentrate on their main business, strengthen compliance management and risk control management and improve the level to serve the real economy.



and improve the scientific and technological supervision capabilities of various aspects such as administrative approval, market monitoring, and the inspection law enforcement.

#### **4.1.2 Orienting to Market Demand, Effectively Providing the Risk Management Instruments**

By the end of January 2019, China's four major futures exchanges had listed 63 futures and options products, virtually covering major areas of the national economy such as agricultural products, metals, energy, chemicals and finance, but some strategic resource varieties and index products are still absent. In 2019, China's futures market will constantly be market demand-oriented, provide new market risk management instruments, create an increasingly sophisticated product system and enhance the depth and breadth of capabilities in serving the real economy. In addition, the four major futures exchanges will continue to accelerate the construction of OTC market infrastructure such as warrant and swap.

#### **4.1.3 Unceasingly Propelling the Globalization of the Futures Market by Actively Ushering in Overseas Investors**

In 2019, futures exchange will continue to intensify the existing globalized products including Crude Oil, Iron Ore and PTA, optimize the trading mechanism, attach importance to the study of international rules and further improve the applicability and scientificity of the rules. We will enhance the participation of overseas investors, give play to the functioning of existing globalized products and constantly increase the supply of the globalized products by actively promoting the listing of TSR20 as a special product opening to the global market, and speeding up the globalization of existing products such as base metals and soybeans. We will make sustained efforts to open the futures industry to the global market, set the stage for foreign investors to invest in domestic futures companies, strive to enhance the attractiveness of the domestic market.

#### **4.1.4 Undertaking the Social Responsibility of the Industry and Actively Serving the Layout of National Strategies**

The 2019 Central Economic Work Conference highly affirmed the important role of finance and held that in the financial operation, the capital market plays a significant role that a slight move in one part may affect the situation as a whole. We will take the initiative to link up with the key tasks which have been put forward by the Central Economic Work Conference and continue to play an important part in this field. Especially, in solidly advancing the rural revitalization strategy, the four major futures exchanges and their members will constantly expand the pilot scope of "Insurance + Futures" for agricultural products and help improve the

ability of new agricultural operating players, such as agriculture-related enterprises and farmers' specialized cooperatives, to alleviate market risks in accordance with the requirements of the State Council and the CSRC. In promoting regional coordinated development, the futures market will also continue to make use of the industrial advantages and help facilitate the implementation of national strategies such as the integration of Yangtze River Delta Region and the construction of Hainan Free Trade Zone and Xiong'an New District by promoting the linkage of production elements market platforms, establishing the delivery warehouses and listing the distinctive futures products.

## **4.2 SHFE Prospects**

SHFE will continue to adhere to the general tone of work for stability and progress, adhere to the development path of marketization, rule of law, and internationalization, and put the risk prevention and mitigation front and center. It will put emphasis on persisting in serving the real economy and vigorously promoting the globalization of the market, and make a business breakthrough by increasing the supply of products in a bid to build a world-class exchange that is standardized, efficient, transparent and compressive.

### **4.2.1 Fighting an Uphill Battle against Risk by Improving the Level of Overall Risk Management**

In 2019, adhering to the overall national security concept, SHFE will comprehensively and strictly supervise the market in accordance with the law, strengthen the cultivation of risk prevention and control capacity, effectively prevent and alleviate risks and give full play to the functioning of price discovery and risk management in a bid to promote a sound pattern of mutual support between financial stability and economic stability. First, we will constantly maintain a high-pressure stance on all kinds of law and rule violations and improve the ability to detect and deal with the abnormal transactions and clues to violations; the second is to strengthen the transformation and optimization of the monitoring and inspection system, and upgrade the level of technology and intelligence of supervision; the third is to establish a remote video surveillance system to enhance the supervision of delivery warehouses; and the fourth is to intensify the supervision of members and investor protection, and implement the supervision model centered on the supervision of members.

markets to serve the real economy. First, we will steadily promote the listing of futures products such as TSR20, Stainless Steel and Alumina, meanwhile facilitate product innovation in an orderly manner and accelerate the pace of listing of reserved varieties; the second is to devote greater efforts in business rule innovation, constantly improve the market maker system and promote the improvement of contract discontinuity; the third is to further enrich the products and functions of SHFE Standard Warrant Trading Platform; the fourth is to steadily expand the coverage, scale and target population of the "Insurance + Futures" pilot project; and the fifth





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