Attachment 7

**Measures for Hedging Management of Dalian Commodity Exchange**

**(Amendment)**

1. ……

With respect to the products other than No. 1 soybeans, coke, coking coal, fiberboard, blockboard, eggs, ethylene glycol, polished round-grained rice, ethenylbenzene, and liquefied petroleum gas and live hog, where the hedging positions of the general months of Non-Futures Company Members and clients enter the delivery months, the Exchange will convert them into the hedging position limit increase of the delivery months based on the hedging position amount of the general months or the speculative position limit of the delivery months of such product, whichever is the lesser.

……

***Note****: Contents newly added are in shade; clauses unchanged are represented by ellipsis.*

**Measures for Hedging Management of Dalian Commodity Exchange**

**(Amended Version)**

**Chapter I General Provisions**

1. The Measures for Hedging Management of Dalian Commodity Exchange (the "**Measures**") are formulated pursuant to the *Trading Rules of Dalian Commodity Exchange* and other regulations for the purposes of fully playing the hedging function of the futures market and promoting the regulated development of the futures market.
2. Hedge trading shall be subject to the qualification accreditation and position limit management rules. Based on different contract months, the hedging position limit shall be divided into the hedging position limit of the general months (counting from the listing date of the contract to the last trading day of the first month preceding the delivery month) and that of the delivery months.
3. Members, overseas brokers and clients engaging in hedging at Dalian Commodity Exchange (the "**Exchange**") shall comply with the Measures.

**Chapter II Qualification Accreditation**

1. Non-Futures Company Members and clients engaging in hedge trading shall have the production and operation qualifications related to the hedge trading products.
2. Non-Futures Company Members and clients engaging in hedging shall submit the following application materials to the Exchange:
	* + 1. the application form for hedge trading qualification which mainly includes the applicant's basic information, products applied and other information required by the Exchange;
			2. the photocopy of the duplicate of the Enterprise Business License; and
			3. other materials required by the Exchange.

Client shall submit its application through the Futures Company Members. The Futures Company Member shall file an application with the Exchange for the client after verifying the client's application materials. The Non-Futures Company Member may directly submit its application to the Exchange. Where a client entrusting an overseas broker with futures trading matters intends to apply for hedging qualification, it shall entrust its overseas broker with its application, and the overseas broker shall then entrust a Futures Company Member to submit the application.

1. Upon receipt of the complete application materials, the Exchange shall examine the application and reply within five (5) working days.

**Chapter III Position Limit**

1. The Non-Futures Company Members and clients may engage in hedging of the futures and option contracts of the applicable products afterobtaining the hedge trading qualification.

The Non-Futures Company Members and clients who have obtained the hedge trading qualifications may directly hold hedging positions by executing transaction orders or by confirming the historical speculative positions.

1. The hedging position limit of the Non-Futures Company Members and clients who have not been granted increase of hedging position limit is equal to the speculative position limit in respect of the position amount.

Non-Futures Company Members and clients may apply to increase their hedging position limit. The hedging position limit of the Non-Futures Company Members and clients who have been granted increase of hedging position limit is equal to the sum of such hedging position increase amount and the amount of speculative position limit.

The hedging position of the Non-Futures Company Members and clients shall not exceed the hedging position limit prescribed by the Exchange, and the total of hedging positions and speculative positions of the Non-Futures Company Members and clients shall not exceed the hedging position limit prescribed by the Exchange.

1. Clients shall apply to increase their hedging position limit through their Futures Company Members. A Futures Company Member shall file an application with the Exchange for its client after verifying the client's application materials. The Non-Futures Company Member may directly submit its application to the Exchange. Where a client who entrusts an overseas broker with futures trading matters intends to apply for hedging position quota, it shall entrust its overseas broker with its application, and the overseas broker shall then entrust a Futures Company Member to submit the application.
2. Members or clients who apply to increase hedging positions of the general months shall submit the following materials to the Exchange:
3. the application form for increasing hedging position limit, which mainly includes the applicant's basic information, products and quantities applied and other information required by the Exchange;
4. the physical operating performance of the products applied for the recent one (1) year, and the physical operation plans during the hedging period; and
5. other materials required by the Exchange.

The applicant does not need to re-submit the above materials that have been submitted to the Exchange before.

1. Members or clients who apply to increase hedging positions of the delivery months shall submit the following materials to the Exchange:
2. the application form for increasing hedging position limit, which mainly includes the applicant's basic information, products and quantities applied and other information required by the Exchange;
3. certification materials and statement of the intended usage of the physical commercials that the applicant holds or proposes to hold;
4. the physicals operating performance of the products applied for the recent one (1) year, and the physical operation plans during the hedging period; and
5. other materials required by the Exchange.

The applicant does not need to re-submit the above materials that have been submitted to the Exchange before.

1. The closing date for the application for hedging position increase of the general months shall be the last trading day of the second month preceding the hedging contract delivery month. Overdue applications with respect to such contract will not be accepted by the Exchange. The applicant may apply for hedging position increase of the general months for more than one contract once a time.

The closing date for the application for hedging position increase of the delivery months shall be the last trading day of the first month preceding the hedging contract delivery month. Overdue applications with respect to such contract will not be accepted by the Exchange.

1. With respect to the application for hedging position limit increase of the general months, the Exchange shall determine the increase amount based on whether the applicant is qualified for such application, and whether the hedging products, trading positions, trading volume and hedging period are suitable for the product and operation scales, historical operating status, financial position, etc.

With respect to the application for hedging position limit increase of the delivery months, the Exchange shall determine the increase amount based on the applicant's trading positions and volume, operation status of the underlying physicals, position status of such contracts, quantities of deliverables, and price deviation between the futures and the underlying physicals.

With respect to the products other than No. 1 soybeans, coke, coking coal, fiberboard, blockboard, eggs, ethylene glycol, polished round-grained rice, ethenylbenzene, liquefied petroleum gas and live hog, where the hedging positions of the general months of Non-Futures Company Members and clients enter the delivery months, the Exchange will convert them into the hedging position limit increase of the delivery months based on the hedging position amount of the general months or the speculative position limit of the delivery months of such product, whichever is the lesser.

The hedging position increase amount shall not exceed the amount applied in the hedge certifying materials submitted by the applicant. The total of the hedging positions of futures or options of the general months of the applicant in all contract months during the whole year shall not exceed its production capacity or production plan of that year.

1. With respect to the application for hedging position limit increase of the general months, the Exchange shall examine the application materials and reply within five (5) working days upon receipt of the complete application materials. For application to increase the hedging position amount of the delivery months, after receipt of the complete application materials, the Exchange shall conduct examination as of the first trading day of the first month preceding the contract delivery month, and reply within five (5) trading days.
2. The Exchange may take preferential measures for margins and commission charges of hedge trading.

**Chapter IV Supervision and Management**

1. The Exchange may conduct supervision and investigation from time to time with respect to information provided by Non-Futures Company Members and clients concerning their production and operation status, credit standing, trading of futures, options and physicals. The Non-Futures Company Members and clients shall provide assistance and cooperation with such supervision and inspection.

The Exchange may order the Non-Futures Company Members and the clients qualified for hedge trading to report their trading status of physicals, futures and options.

1. The Exchange shall supervise and manage the hedge trading of Non-Futures Company Members and clients.
2. The Non-Futures Company Members and the clients qualified for hedge trading shall promptly report to the Exchange any material change of the enterprise and/or any other event that may adversely affect their hedge trading qualifications. Where they need to adjust their hedging positions limit, the Non-Futures Company Members and the clients shall file an application with the Exchange in a timely manner.
3. The Exchange may adjust the hedge trading qualifications and the increase of hedging position limit of Non-Futures Company Members and clients based on market situation and the production and operation status of the hedging enterprises.
4. For the purpose of mitigating and preventing the market risks, where the Exchange is to exercise position reduction in accordance with relevant rules, the speculative positions shall be reduced prior to the hedging positions.
5. In case the total of hedging positions and speculative positions of Non-Futures Company Members and clients exceeds the limit prescribed by the Exchange, they shall adjust their positions prior to the ending of the second session trading of the immediately following trading day. If they fail to make such adjustment in due course or fail to meet the relevant requirements even after the adjustment, the Exchange may implement forced position liquidation.
6. In case any Non-Futures Company Members or clients qualified for hedge trading adversely affect or attempt to affect the market price by frequently opening and closing positions, the Exchange may arrange for regulatory talk, issue written warning, adjust or cancel their hedging position quota increase, revoke their hedge trading qualifications; and, if necessary, take such actions as position opening suspension, close-out within designated time limit, forced position liquidation, etc. The Exchange shall also take actions against the wrongdoing party in accordance with the *Measures against Rule Violation of Dalian Commodity Exchange.*
7. In case any fraudulence or other violations of the Exchange rules are found during the process of any Non-Futures Company Member or client's application for hedge trading qualification or hedging position limit increase or during its hedge trading, the Exchange may reject its application for hedging position limit increase, adjust or cancel the previously granted hedging position limit increase, revoke its hedging trading qualification; and if necessary, take such actions as position opening suspension, close-out within designated time limit, forced position liquidation, etc. The Exchange shall also take actions against the wrongdoing party in accordance with the *Measures against Rule Violation of Dalian Commodity Exchange.*

**Chapter V Supplementary Provisions**

1. The Exchange reserves the right to interpret the Measures.
2. The Measures shall come into force on the date of promulgation.

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