

# Introduction of Clearing Business

**Dalian Commodity Exchange**

**February 2018**

**01**

**Clearing Participants**

**02**

**Fundamental Principles for Clearing**

**03**

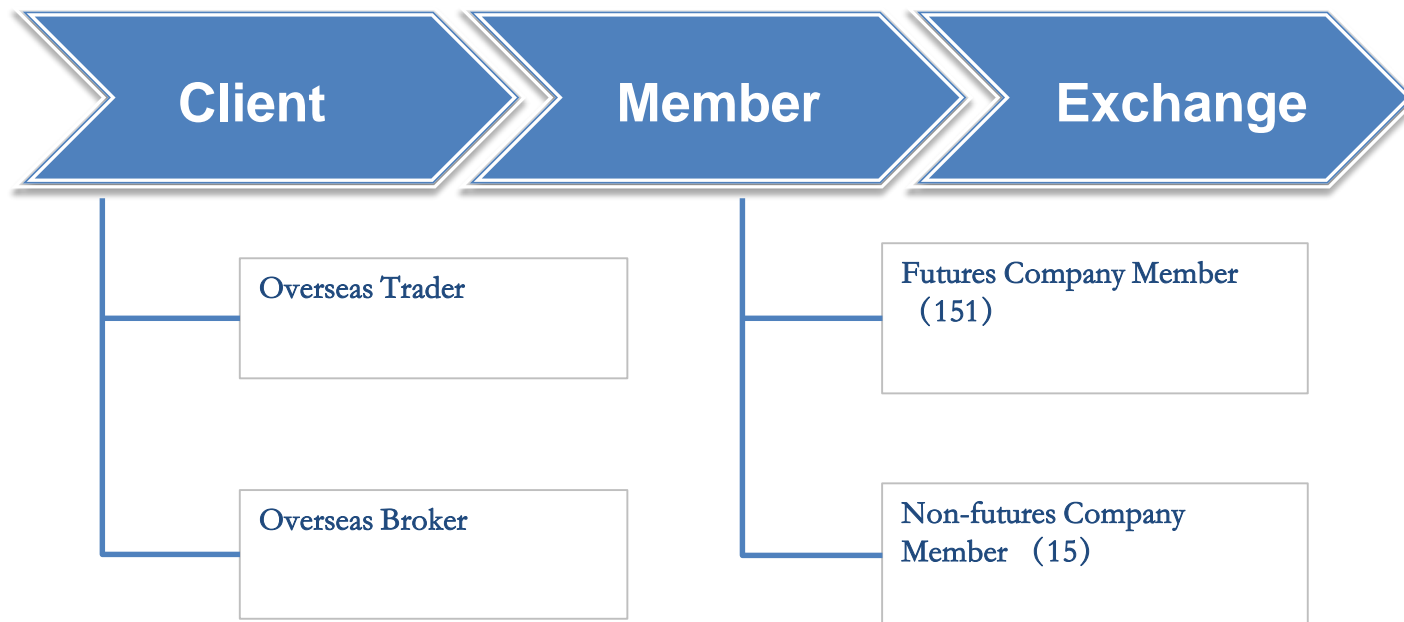
**CCP Status of Exchange**

**04**

**Daily Clearing Business**

**05**

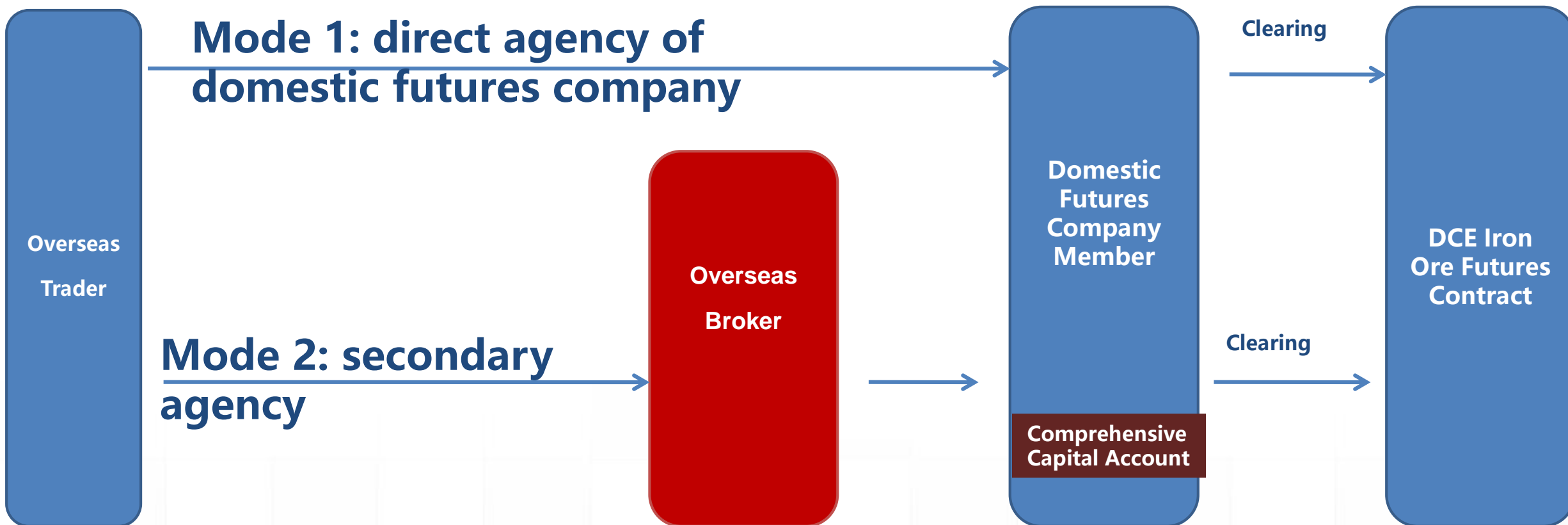
**Changes of Delivery and Settlement  
Business**



## Depository Bank (14)

 交通银行 BANK OF COMMUNICATIONS	 中国工商银行 INDUSTRIAL AND COMMERCIAL BANK OF CHINA
 中国建设银行 China Construction Bank	 中国农业银行 AGRICULTURAL BANK OF CHINA
 中国银行 BANK OF CHINA	 浦发银行 SPD BANK
 兴业银行 INDUSTRIAL BANK CO., LTD.	 中国民生银行 CHINA MINSHENG BANK
 中国光大银行	 中信银行 CHINA CITIC BANK
 招商银行 CHINA MERCHANTS BANK	 中国农业发展银行 AGRICULTURAL DEVELOPMENT BANK OF CHINA
 中国平安 平安银行 PING AN BANK	 广发银行   CGB

China Futures Market Monitoring Center (CFMMC)



- **RMB-denominated pricing and Clearing**
- Directly use foreign exchange as margin
- Allow use of relevant capital for settlement and purchase of foreign exchange
- Clearing of profit and loss in futures trading; payment of handling fees; delivery payments; recover capital gap of clearing currency, etc.

- CSRC Decree No. 116 Document: “Provisional Measures on Management of Trading of Specified Domestic Futures Products by Overseas Traders and Brokers”
- PBC [2015] No. 19 Announcement
- SAFE Hui Fa [2015] No. 35 Document and Policy Q&A

## Depository Qualification

- Domestic client
- Overseas client
- Registered capital
- Total asset and net capital
- Direct or indirect participant in relevant large-amount real-time payment systems, setting up branches in one or more global or regional financial centers

## Business & System

- Rules for depository business of specified domestic futures products
- NRA account management
- Cross-border capital remittance and transfer
- Bank futures capital system
- System of settlement and sale of foreign exchange
- Data reporting

## Regulatory Reporting

- Fulfillment of obligations of anti-money laundry and anti-terrorism financing
- Examination on authenticity and compliance
- Reporting to RCPMIS the account information and the cross-border RMB capital receipt and payment information
- Fulfillment of obligation of reporting international balance of payments
- Data reporting, including relevant accounts, settlement and sale of foreign exchange and others



## Exchange

- dedicated RMB Settlement Account
- dedicated Foreign-exchange Settlement Account

## Futures Company Member

- dedicated RMB Margin Account
- dedicated Foreign-exchange Margin Account

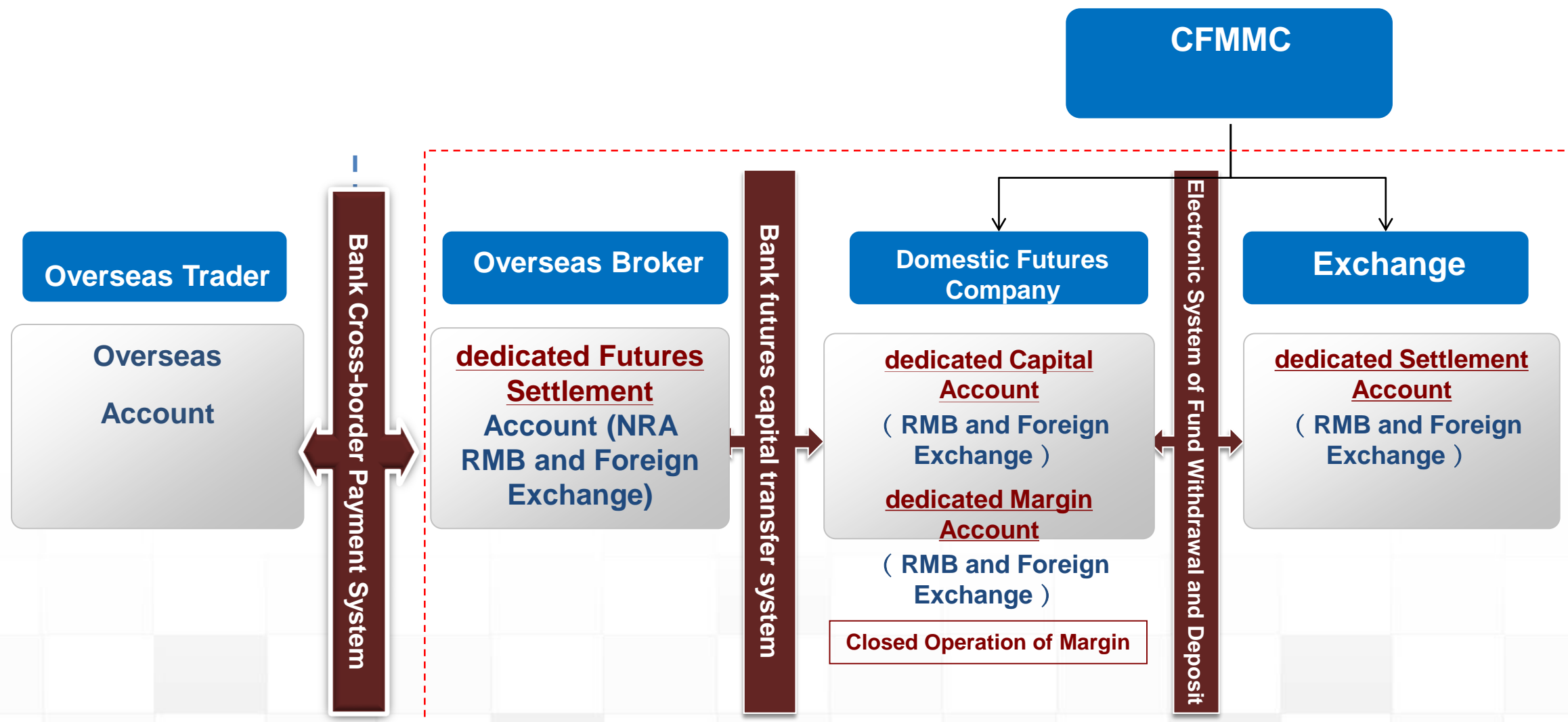
## Overseas Broker

- NRA RMB Futures Settlement Account
- dedicated NRA Foreign-exchange Futures Settlement Account

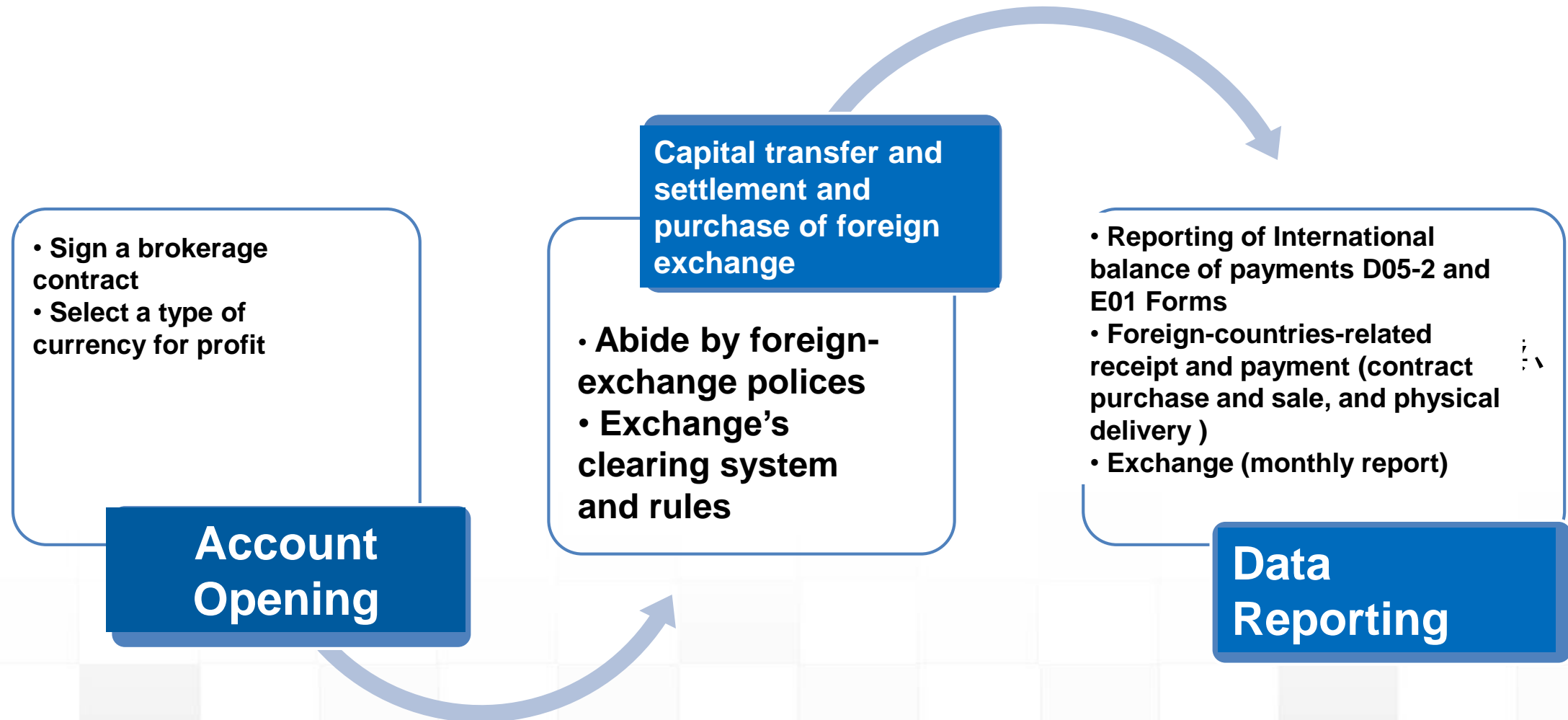
## Overseas Trader

- NRA RMB Futures Settlement Account
- dedicated NRA Foreign-exchange Futures Settlement Account

# Daily Clearing – Capital Remittance and Transfer



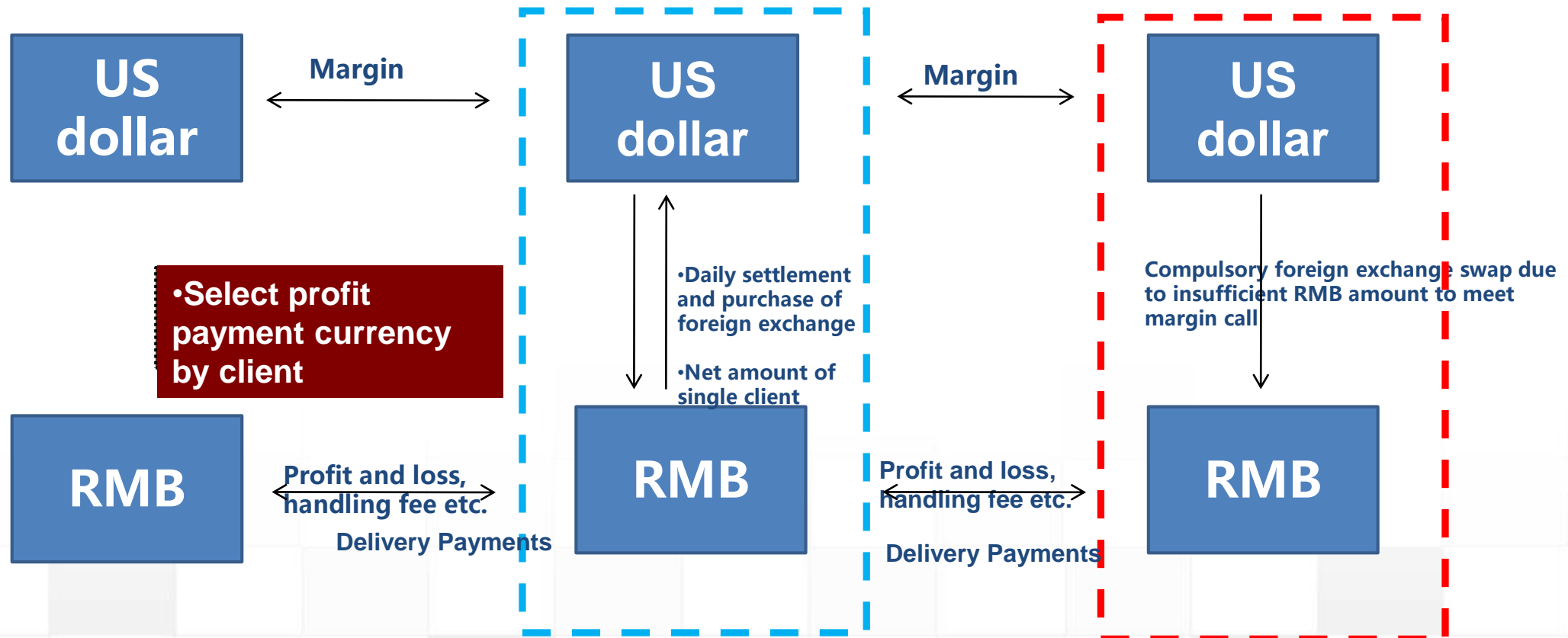




Overseas Trader  
Overseas Broker

Domestic Futures  
Company

Exchange



- **Qualified CCP (QCCP)**
- Article 15 in the “Provisional Measures on Management of Trading of Specified Domestic Futures Products by Overseas Traders and Brokers”
- Abide by “Principles of Financial Market Infrastructure” (PFMI)

## Margin System

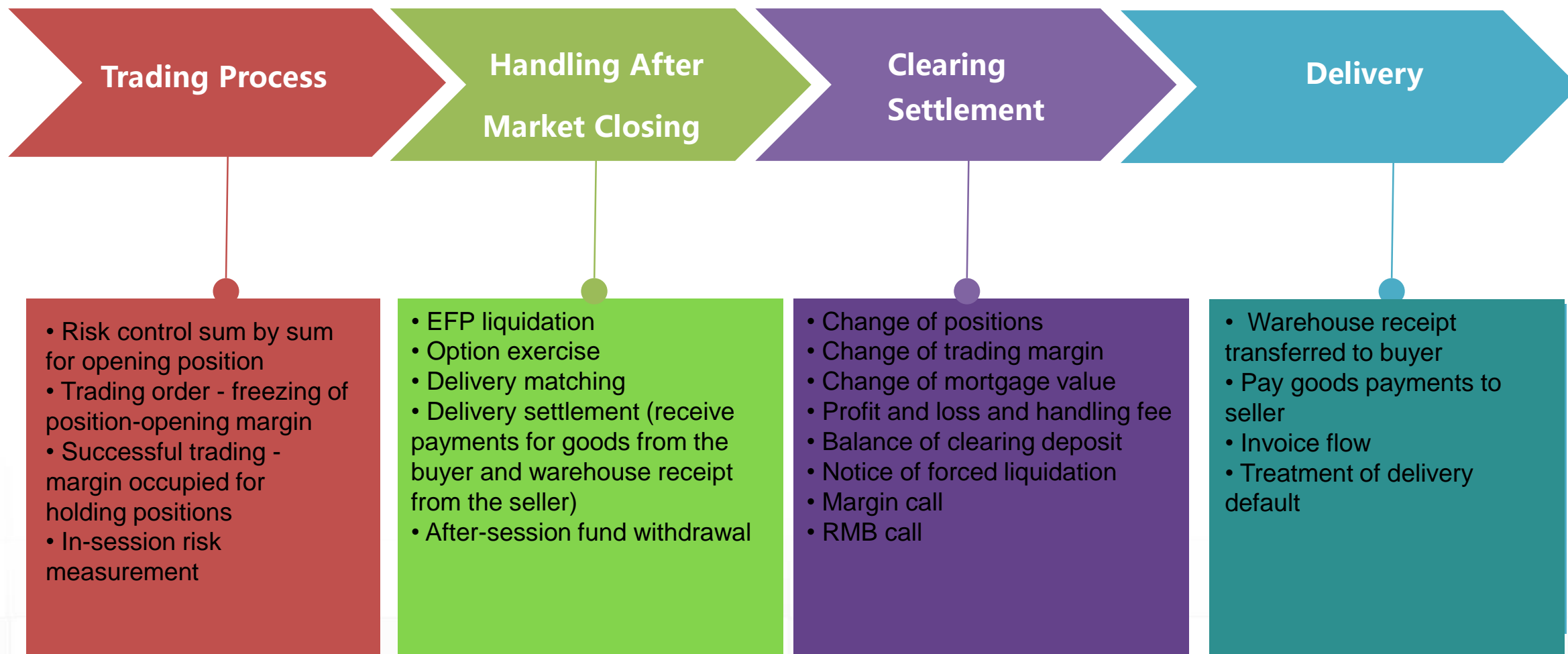
1. Trading margin and clearing deposit
2. Assets taken as margin

## Mark-to-market System

1. Daily settlement price
2. Minimum balance of clearing deposit

## Risk Reserve System

1. 20% of income from handling fee of members
2. Other incomes abiding by state financial policies



	Content
Deposit & Withdrawal	<ul style="list-style-type: none"><li>• Electronic Fund Deposit &amp; Withdrawal System</li><li>• The business handling time is consistent with that of RMB capital.</li></ul>
Actual Available Balance	<ul style="list-style-type: none"><li>• Valuation: value of foreign exchange is the RMB amount calculated according to the discount ratio</li><li>• Benchmark Price: The central parity of foreign exchange against RMB on the very day released by China Foreign Exchange Trade System (CFETS)</li><li>• Currency and Discount Ratio: subject to the Exchange's announcement</li></ul>
Actual Currency Capital	<ul style="list-style-type: none"><li>• Actual currency capital = RMB capital + converted amount of foreign capital</li><li>• The interest of unoccupied foreign exchange capital is calculated according to the interest rate for demand deposits.</li></ul>



clearing deposit < Required Minimum Balance

A member shall supplement to the minimum balance of clearing deposit before market opening on the next trading day.

$0 < \text{clearing deposit} < \text{Minimum Balance}$

Restriction of Opening New Positions

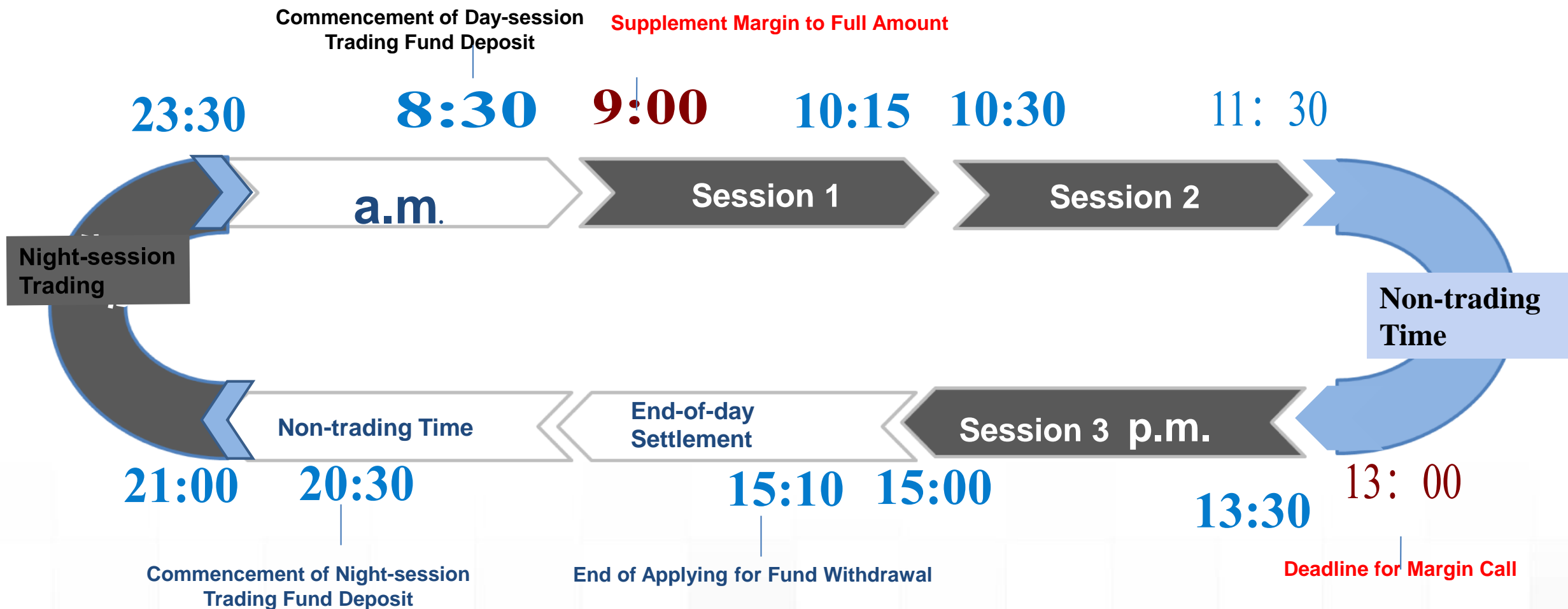
clearing deposit < 0

Forced Liquidation

The exchange may carry out forced settlement of foreign exchange.

• The minimum balance of clearing deposit shall be CNY two million (2,000,000) for a Futures Company Member, which shall be paid with the Member's own funds.

# Daily Clearing – Time Limit for Margin Call



Settlement of  
payments for  
goods

Bonded EFP, one-off delivery, transfer of standard warehouse receipt are all settled by the Exchange.

Bonded delivery payments + premium and discount, settled together, payment in a lump sum

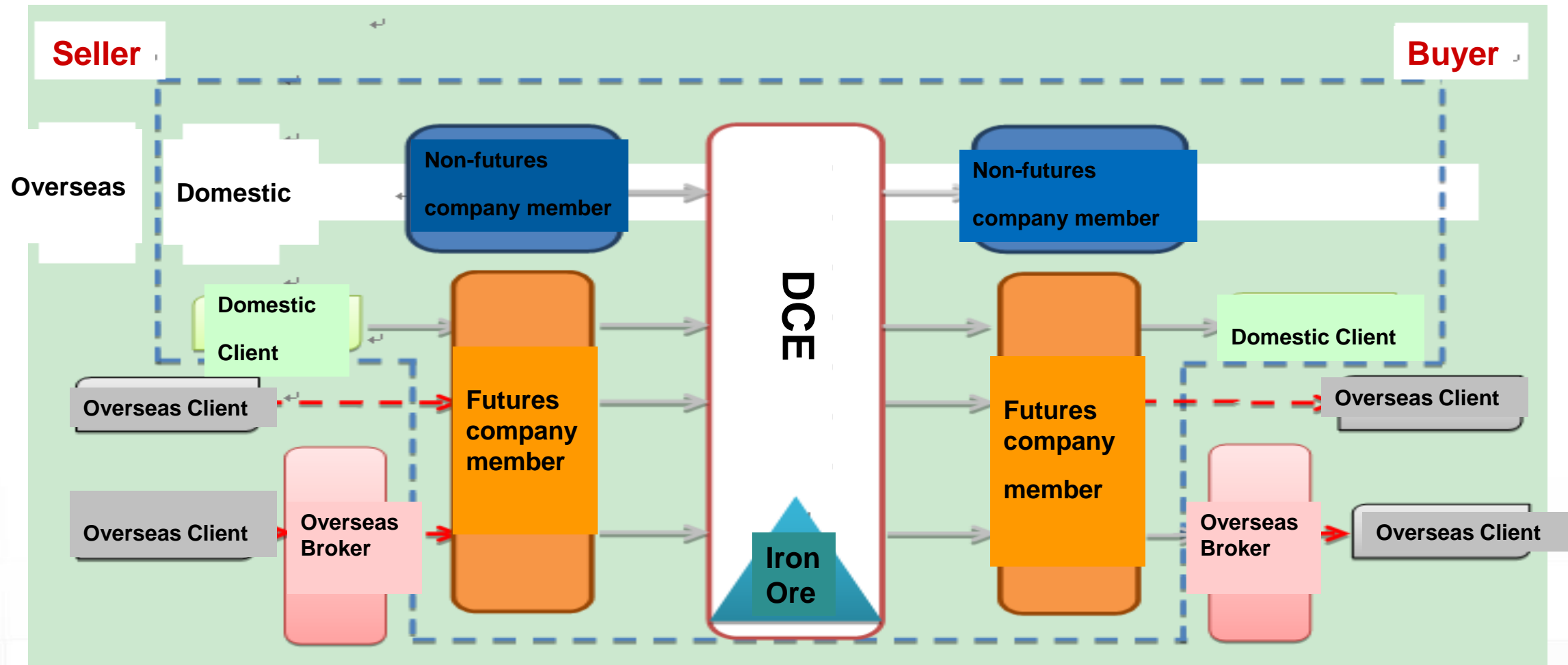
Invoice  
Management

VAT tax free policy: The domestic institution issues a VAT common invoice, and the overseas institution offers a receipt.

Five-party issuance mode: selling client → selling member → exchange → buying member → buying client

Time of invoice submission, invoice margin charged at 5% of payments for goods

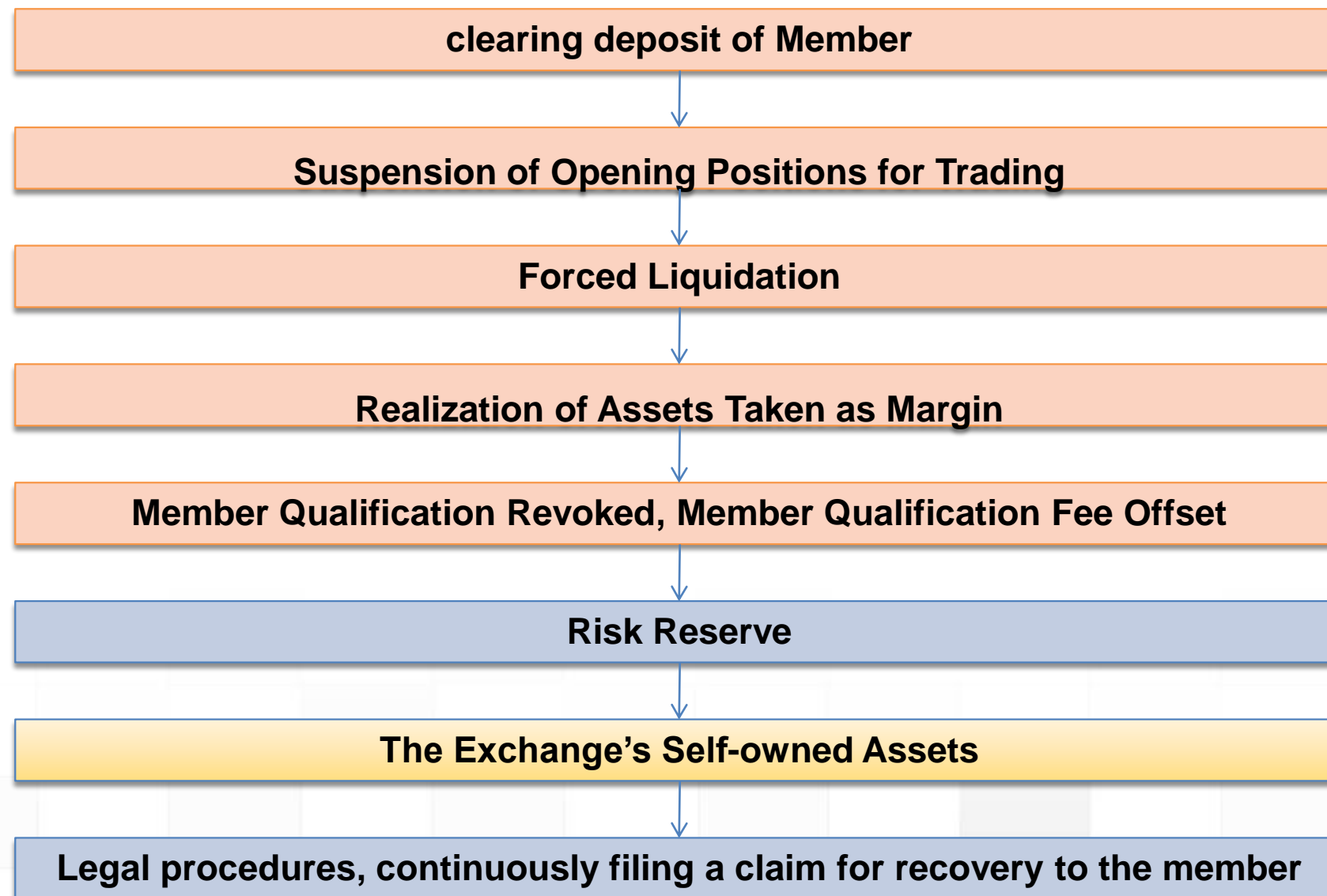
# Business Process of Iron Ore's Bonded Delivery





## Size of Risk Reserve

- The biggest credit exposure covering the simultaneous defaults of two participants
- RMB4 Billion



# Thank You!



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