



# China's Futures Market

## Huatai

**Huatai Financial USA, Inc.** (Huatai USA) headquartered in Chicago, was formed in 2016 as a subsidiary of Huatai Futures Co., Ltd. Huatai USA was approved by the Chinese Securities Regulatory Commission (CSRC) to offer derivatives brokerage services in the US, and currently is a registered Futures Commission Merchant (FCM) with the Commodity Futures Trading Commission (CFTC) and a member of the National Futures Association (NFA).

**Huatai Futures Co., Ltd.** (Huatai Futures), headquartered in Guangzhou China and founded in 1994, was one of the first futures brokerage firms established in China. Huatai Futures is a member of the Board of Directors of the China Futures Association (CFA), and clearing member of all China futures markets including China Financial Futures Exchange (CFFEX), Shanghai International Energy Exchange (INE), Shanghai Futures Exchange (SHFE), Zhengzhou Commodity Exchange (ZCE), and Dalian Commodity Exchange (DCE). Huatai Futures has 9 branches, 42 sales offices, and a network of 270 introducing brokers within Huatai Securities located throughout China. In addition to the futures brokerage business, Huatai Futures also have multiple subsidiaries to cover the business in OTC trading, asset management, international physical trading, and international futures brokerage.

**Huatai Securities Co., Ltd.** (Huatai Securities) is a leading integrated securities group in China. It is publicly traded in Shanghai Stock Exchange (601688.SH), Hong Kong Stock Exchange (6886.HK) and London Stock Exchange (HTSC). Huatai Securities together with its subsidiaries provide financial services and products in securities trading, investment banking, asset management, wealth management. Huatai Futures is one of subsidiaries of Huatai Securities.

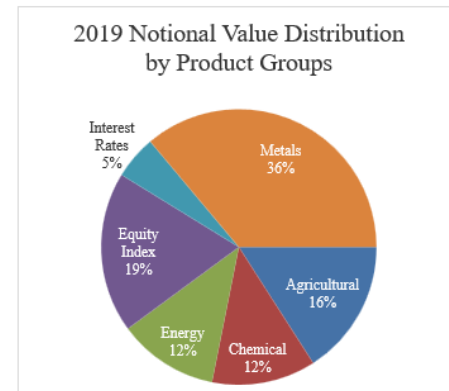
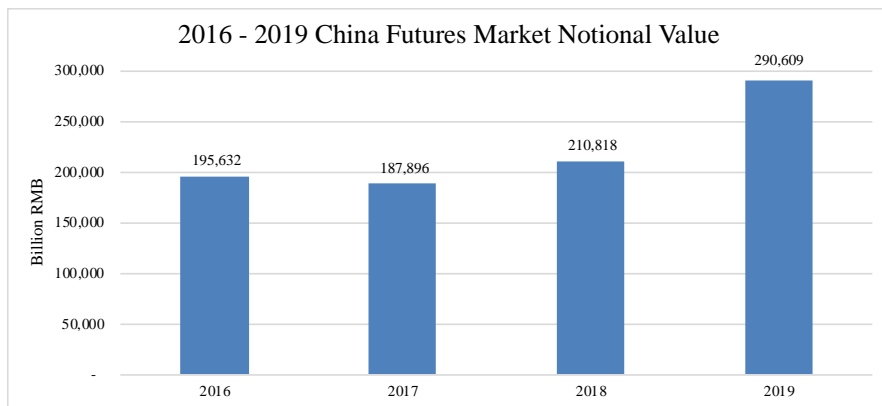
## Futures Exchanges in China

There are four futures exchanges in China: Shanghai Futures Exchange (SHFE), Dalian Commodity Exchange (DCE), Zhengzhou Commodity Exchange (ZCE), China Financial Futures Exchange (CFFEX). Shanghai International Futures Exchange (INE) is a fully owned subsidiary of SHFE. Currently INE list two of four international futures products, Shanghai Crude and TSR20. The other two international futures products are Iron Ore and PTA, which are listed in DCE and ZCE respectively.



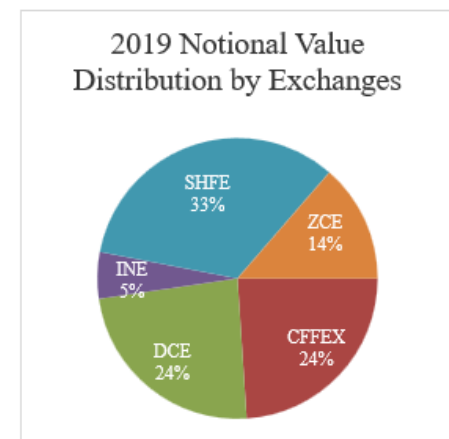
## China Futures Market Summary

There are 64 futures and 11 options products listed on four Chinese futures exchanges as of 2020.1.31.



### 2016-2019 China Futures Market Summary

Year	Number of Products	Volume (Mil lots)	Open Interest (Mil Lots)	Notional Value (Bil Rmb)
2019	75	3,962	20.44	290,609
2018	60	3,029	12.00	210,818
2017	55	3,076	12.18	187,896
2016	51	4,138	11.90	195,632



## Internationalized Products

Starting in 2018, China listed 4 international products, including Crude Oil, Iron, Ore, Pure Terephthalic Acid (PTA), and TSR20 Rubber. More products are planned to be internationalized (e.g. Palm Oil, Heating Oil). The international products can be traded by international investor offshore. Below table summarizes 2019 volume, Open Interest, and Overseas Investors Contribution of the international products.

Product	Contract Size	Launch Date	Internationalized Date	Overseas Investors Contribution (till June 2019)	Volume in 2019	Open Interest (12/31/2019)
INE Crude oil	1000 Barrel	2018-03-26		14.38%	34,644,385	29,410
DCE Iron ore	100 MT	2013-10-18	2018-05-04	2.54%	296,538,011	702,827
ZCE PTA	5 MT	2006-12-18	2018-11-30	8.64%	312,470,222	918,896
INE TSR20	10 MT	2019-08-12		NA	943,070	42,495

## Chinese FCMs

There are 149 FCMs in China. Huatai Futures has kept its leading position for many years. China Futures Association (“CFA”) stopped publishing its annual ranking for these FCMs, however, CFA keeps evaluating FCMs with a slew of measurements in terms of their compliance alignment, operation management, investor education, client institutionalization, and philanthropic participation to the poverty district. The latest rating was published on Oct 14, 2019, and Huatai Futures was rated as “AA”, the highest level.

## WFOE

A Wholly Foreign-Owned Enterprise (WFOE, or WOFE) is a common investment vehicle for mainland China-based business wherein foreign parties (individuals or corporate entities) can incorporate a foreign-owned limited liability company.

The advantages of incorporating a WFOE, compared with other types of enterprises include but not limited to:

- Independence and freedom to implement the worldwide strategies of its parent company without having to consider the involvement of the Chinese partner;
- Ability to formally carry out business rather than just function as a representative office and being able to issue invoices to their customers in RMB and receive revenues in RMB;
- Capability of converting RMB profits to US dollars for remittance to its parent company outside of China;
- Protection of intellectual know-how and technology;
- Full control of human resources;
- Greater efficiency in operations, management and future development.

In addition to WFOE, China's regulator is providing more channels for international investors to participate in China financial markets in a more convenient and low-cost way, such as offshore trading international products, stock connect, bond connect, and is working to reform QFII regime to offer all future products.

## China's Regulatory structure



**China Securities Regulatory Commission (CSRC)** performs regulatory function over the securities and futures market in China.

**Securities Regulatory Bureaus** are the subsidiaries of CSRC by provincial location.

**China Futures Association (CFA)** is a national self-disciplinary organization of China futures industry.

## China's Futures Market Surveillance

**China Futures Market Monitoring Center (CFMMC)** is part of China's regulatory body. It centralizes investor's trading account registration and trading data maintenance. It also monitors account level daily transaction, position, balance and margin to ensure the account segregation.

**China Exchanges** function in the same manner as international exchanges.



## Technology

**Electronic Trading:** All China's futures markets provide electronic trading and daily settlement. Selected products are also offered in the night trading session ending at different time. In general, the trading session is much shorter than those offered in the international market.

**Connectivity:** China's regulator does not allow direct market access (DMA), which means all customer's order must go through the FCM's pre risk check before getting routed to the exchange. FCM is the only allowed party to host connectivity in China's futures market. FCMs provide multiple trading systems to cater different needs of the customers.

ISVs targeting to build a new trading system can develop directly against the exchange provided API and must be certified by the exchange before putting into use.

**API:** China futures exchanges provide API Connection, and these API is unique with each exchange. FIX is not applied at the exchange level. Some ISV offer FIX connection at the client end, but the FIX may look different to the international investors due to China's distinctive regulatory requirement.

**Co-location:** Co-location is a scarce resource in China futures market thus highly demanded. The data centers are striving to provide equidistant cabling as usually seen in the US co-location. For the latency sensitive investor, they are suggested to work with the FCM closely for the layout.

**Market Data:** China futures exchanges do not offer real-time market data streaming, instead, they provide snap-shot type of data twice or four times per second. Level-1 provides the top of book (TOP), and level-2 offers 5-deep. Multicast is not yet available in all markets but the exchanges are working toward this goal.

## Contact us

Address: 141 W Jackson Blvd, Suite 2130, Chicago, IL 60604

Tel: +1 833.213.0635

Email: [inquiry@huataiusa.com](mailto:inquiry@huataiusa.com)

Web: [www.huataiusa.com](http://www.huataiusa.com)

TRADING FUTURES AND OPTIONS INVOLVES SIGNIFICANT DEGREE OF RISK AND IS NOT SUITABLE FOR ALL INVESTORS. ONLY INVESTORS WHO CAN ASSUME THE RISK OF LOSS IN EXCESS OF THEIR MARGIN DEPOSITS SHOULD CAREFULLY CONSIDER WHETHER SUCH TRADING IS APPROPRIATE FOR YOU, TAKING INTO ACCOUNT YOUR INVESTMENT EXPERIENCE, FINANCIAL RESOURCES, TRADING OBJECTIVES, THE UNCERTAINTY OF THE MARKETS AND OTHER RELEVANT CIRCUMSTANCES. THIS IS NOT A SOLICITATION TO BUY OR SELL FUTURES RELATED PRODUCTS, BUT A COLLECTION OF INFORMATION REGARDING SERVICES PROVIDED BY HUATAI FINANCIAL USA INC. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

## Appendix I – 2019 China Futures Market Data By Products and Exchanges

Exchange	Rank of Vol by Exchange	Product Group	Product	2019 Volume (Lots)	Open Interest as of 12/31/2019 (Lots)	2019 Notional Value (Billions RMB)	Shares of Total Notional Value in 2019 (%)
Shanghai Futures Exchange (SHFE)	1	Metals	Steel Rebar	465,171,782	1,788,940	16,946.95	5.83%
	2	Energy	Fuel Oil	176,719,415	462,049	4,270.99	1.47%
	3	Metals	Nickel	160,444,120	399,364	18,387.89	6.33%
	4	Metals	Silver	142,823,743	767,026	8,938.53	3.08%
	5	Metals	Bitumen	102,908,784	270,305	3,273.33	1.13%
	6	Metals	Zinc	71,066,468	7,200,204	7,200.14	2.48%
	7	Metals	Hot Rolled Coils	70,411,675	363,698	2,544.03	0.88%
	8	Chemical	Rubber	53,850,389	261,683	6,448.29	2.22%
	9	Metals	Gold	46,208,567	219,392	14,996.23	5.16%
	10	Metals	Copper	36,520,132	314,802	8,725.08	3.00%
	11	Chemical	Pulp	36,345,367	135,256	1,786.78	0.61%
	12	Metals	Aluminum	32,757,569	348,890	2,274.61	0.78%
	13	Metals	Lead	7,710,171	60,226	635.87	0.22%
	14	Metals	Copper Options	4,197,483	32,263	11.35	0.00%
	15	Metals	Tin	3,246,074	45,008	454.15	0.16%
	16*	Chemical	Rubber Options	822,063	19,882	2.24	0.00%
	17*	Metals	Stainless Steel	590,753	21,249	43.94	0.02%
	18	Metals	Wire rod	174,118	7	6.83	0.00%
	19*	Metals	Gold Options	40,926	10,029	0.32	0.00%
		<b>Subtotal</b>		<b>1,412,009,599</b>	<b>5,748,273</b>	<b>96,947.55</b>	<b>33.36%</b>
Shanghai International Energy Exchange (INE)	1	Energy	International Product - Crude	34,644,385	29,410	15,476.01	5.33%
	2*	Chemical	International Product - TSR 20	943,070	42,495	99.73	0.03%
	2		<b>Subtotal</b>	<b>35,587,455</b>	<b>71,905</b>	<b>15,575.74</b>	<b>5.36%</b>
Zhengzhou Commodity Exchange (ZCE)	1	Chemical	International Product - PTA	312,470,222	918,896	8,882.02	3.06%
	2	Chemical	Methanol	265,094,214	877,821	6,100.15	2.10%
	3	Agricultural	Rapeseed Meal	138,085,360	329,954	3,201.33	1.10%
	4	Agricultural	White Sugar	112,496,116	391,747	5,949.43	2.05%
	5	Agricultural	Cotton No. 1	63,811,537	701,376	4,361.64	1.50%
	6	Agricultural	Rapeseed Oil	37,785,001	129,056	2,695.80	0.93%
	7	Agricultural	Apple	37,461,586	99,379	3,365.49	1.16%
	8	Chemical	Flat Glass	30,916,599	190,890	883.01	0.30%
	9*	Agricultural	Chinese Jujube	27,734,014	34,769	1,424.57	0.49%
	10	Energy	Thermal Coal	27,493,164	229,104	1,595.67	0.55%
	11	Metals	Manganese Silicon	11,171,763	85,407	394.14	0.14%
	12	Metals	Ferrosilicon	9,307,016	57,147	276.80	0.10%
	13	Agricultural	White Sugar Options	6,772,677	90,684	5.34	0.00%
	14*	Chemical	Urea	4,693,463	57,880	163.05	0.06%
	15*	Agricultural	Cotton Options	3,463,533	107,087	4.04	0.00%
	16	Agricultural	Cotton Yarn	1,699,201	8,059	181.04	0.06%
	17*	Chemical	Soda Ash	1,564,832	42,779	50.77	0.02%
	18*	Chemical	PTA Options	193,731	43,472	0.09	0.00%
	19*	Chemical	Methanol Options	171,444	33,637	0.09	0.00%
	20	Agricultural	Rapeseed	63,645	13	2.54	0.00%
	21	Agricultural	Late Indica Rice	18,792	6	1.00	0.00%
	22	Agricultural	Strong Gluten Wheat	12,405	144	0.60	0.00%
	23	Agricultural	Early Long-grain Nonglutinous	2,926	1	0.14	0.00%
	24	Agricultural	Japonica Rice	2,730	-	0.16	0.00%
	25	Agricultural	Common Wheat	74	3	0.01	0.00%
		<b>Subtotal</b>		<b>1,092,486,045</b>	<b>4,429,311</b>	<b>39,538.91</b>	<b>13.61%</b>
Dalian Commodity Exchange (DCE)	1	Metals	International Product - Iron	296,538,011	702,827	19,873.14	6.84%
	2	Agricultural	Soybean Meal	272,869,691	2,925,246	7,603.01	2.62%
	3	Agricultural	RBD Palm Olein	135,504,196	888,380	7,129.82	2.45%
	4	Agricultural	Corn	99,119,054	1,181,222	1,884.15	0.65%
	5	Chemical	PP	93,707,685	349,151	3,890.23	1.34%
	6	Agricultural	Crude Soybean Oil	87,543,178	802,169	5,251.19	1.81%
	7	Chemical	Ethylene Glycol	74,101,992	210,364	3,473.63	1.20%
	8	Chemical	LLDPE	63,438,716	417,954	2,449.22	0.84%
	9	Energy	Coking Coal	55,680,120	183,340	11,137.22	3.83%
	10	Agricultural	Fresh Hen Egg	37,130,045	394,728	1,567.31	0.54%
	11	Chemical	PVC	33,792,856	262,552	1,124.64	0.39%
	12	Energy	Coke	22,874,614	90,432	1,776.31	0.61%
	13	Agricultural	No. 1 Soybeans	18,450,462	98,204	642.21	0.22%
	14	Agricultural	Soybean Meal Options	17,809,235	435,531	7.32	0.00%
	15	Agricultural	No. 2 Soybeans	17,791,929	46,013	549.94	0.19%
	16	Agricultural	Corn Starch	16,563,847	89,025	380.82	0.13%
	17*	Agricultural	Corn Options	6,760,187	410,482	1.66	0.00%
	18*	Chemical	Ethylbenzene	3,958,697	86,238	144.16	0.05%
	19	Agricultural	Medium Density Fiberboard	1,171,841	12,833	23.46	0.01%
	20*	Agricultural	Polished Round-grained Rice	413,624	8,737	14.98	0.01%
	21*	Metals	Iron Ore Options	363,865	91,523	0.88	0.00%
	22	Agricultural	Blackboard	380	-	0.03	0.00%
		<b>Subtotal</b>		<b>1,355,584,225</b>	<b>9,686,951</b>	<b>68,925.32</b>	<b>23.72%</b>
China Financial Futures Exchange (CFFEX)	1	Equity Index	CSI 300 Index Futures	23,638,514	125,583	26,707.16	9.19%
	2	Equity Index	CSI 500 Index Futures	19,943,801	166,264	19,879.08	6.84%
	3	Equity Index	SSE 50 Index Futures	9,668,996	57,416	8,217.65	2.83%
	4	Interest Rates	10-year Treasury Bond Futures	9,246,206	80,301	9,040.34	3.11%
	5	Interest Rates	2-year Treasury Bond Futures	1,987,566	16,408	3,984.71	1.37%
	6	Interest Rates	5-year Treasury Bond Futures	1,798,330	34,476	1,790.77	0.62%
	7*	Equity Index	CSI 300 Index options	126,969	27,167	1.30	0.00%
		<b>Subtotal</b>		<b>66,410,382</b>	<b>507,615</b>	<b>69,621.02</b>	<b>23.96%</b>
International Products Total	4	<b>Total</b>		<b>644,595,688</b>	<b>1,693,628</b>	<b>44,330.91</b>	<b>15.25%</b>
National Futures Exchanges total	75	<b>Total</b>		<b>3,962,077,706</b>	<b>20,444,055</b>	<b>290,608.54</b>	<b>100.00%</b>

Note:  
1. This table is based on the data provided by SHFE, INE, ZCE, DCE, CFFEX; but the data does not contain exchange of futures for physicals (EPF).  
2. All data in the table is single-sided counted; and "\*" means the products newly listed in 2019;