# A Native Speculator's Overview of

# Mainland China's Security and Derivative Exchanges

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## *Introduction*

In mainland China (not including Hong Kong and Taiwan) today, there are

- **2 stock exchanges**: Shanghai Stock Exchange (SSE) in Shanghai, and Shenzhen Stock Exchange (SZSE) in southern China near Hong Kong,
- **3 commodity futures exchanges**: Shanghai Futures Exchange (SHFE) in Shanghai, Zhengzhou Commodity Exchange (ZCE) in central China, and Dalian Commodity Exchange (DCE) located in the northeast,
- **1 financial futures exchange**: China Financial Futures Exchange (CFFEX) in Shanghai,
- **1 precious metals exchange**: Shanghai Gold Exchange (SGE) in Shanghai.

All have been approved directly by the State Council and belong to the government. All except SGE are directly managed by The China Securities Regulatory Commission (CSRC). The latter is a ministry-level unit directly under the State Council regulating China's securities and futures markets with an aim to ensure their orderly and legitimate operation.

All exchanges have fully electronic infrastructure with broadband communications connecting traders as well as institutions. Though they directly serve their own respective members, all have maintained electronic platforms that directly link buyers and sellers, without specialists, market makers, or the outside market.

Current daily average stock trading totals about 200 billion yuan (US$30B). Futures average daily trading value is 1.5 trillion yuan (US$230B).

In spite of the above, the services of the exchanges are clearly lacking. In the general sense of a financial ecosystem, a lot of financial products are still missing. Orders supported are still very primitive. The mechanism enabling sophisticated systematic analysis and trading is clearly missing.

Restrictions on cross-border transactions is a big hindrance to the Chinese financial environment. These manifest in currency controls and policies that discourage citizens from trading on global exchanges.

# *The Stock Exchanges*

History and Problems

Both Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) were set up in late 1990 and started trading at the end of the year. This was during an era when many of the country's near bankrupt state enterprises needed to be restructured. The purpose of the stock exchanges was to provide funding to the insolvent state enterprises. Keep in mind that China was a firmly a socialist country at the time (as it is today). A stock exchange would have contradicted this ideology. So the proponents did something clever to solve that problem. Even though the names of the exchanges in English include the word “stock”, they carefully avoided this word in Chinese, using one that means “certificate” instead. This definition made it easier to be approved. Even today, the names of the exchanges stay that way.

As said above, the purpose of the exchanges was to provide funding to the insolvent state enterprises. That was their only purpose. The other key purpose of stock exchanges – to provide share ownership of companies to investors – was not provided. At any typical IPO, the key issues to decide were how much money the business needed and what percentage of the business should be retained so that the original owners (mostly government related parties) would still have a controlling role. Then, shares were priced accordingly and sold to the public. In the process, valuation assessment was a non-issue. After the IPO, the public shares could be traded and were called float public shares, whereas the shares owned by the original owners were not tradeable and were called non-float original shares. One advantage of the non-float shares was that it allowed the holders to always maintain a fixed percentage of ownership of the business without any further costs. This feature was very important for them at future secondary IPO's, at which time the percentage of the non-float shares stayed the same and only the public put in more money for the diluted float shares. As a result, there have been endless secondary IPO's to the market.

Most Chinese stock investors did not understand this at the time, much less what a stock is. All they knew was what they had heard from their grandfathers, that owning stocks could make one rich. They just kept buying and buying. In the initial years (the 90's), though very volatile, stocks went to great highs. But gradually, the money supply from the market could not support the endless selling of new stock offerings. As a result, stocks went through more than 4 years of steady declines, with the SSE Index dropping from a high of 2200 in mid 2001 to just below 1000 in 2005.

The year 2005 was when they initiated securities reform to address the above problem. And investors responded favorably, sending the SSE Index from 1000 up to 6100 in 2 years, followed by the crash of 2008, when the index slid to 1800 in less than a year. What caused the crash? One obvious technical explanation is that markets had been extremely over-bought. But one fundamental reason is that when the reform equalized the rights of all shares, non-float original shares that had not been tradeable are being floated in successive blocks by a multi-year schedule. The market's downward behavior could be due to either of two reasons: 1) the market was simply unable to absorb this excess supply from the sale of the newly floated shares; 2) investors' perception that the newly floated shares were sold into the market led to fears that have resulted in a run-to-the-exit. Either way, the overall downtrend today can still partly be attributed to this, as the process of converting the non-float original shares is far from finished.

## Difference Between the Exchanges

The two exchanges were initially set up to compete with each other. Gradually, due to the central government's intention to make Shanghai a world financial center, SZSE started to give way to SSE. Currently, SZSE focuses mostly on smaller firms, giving private firms the opportunity to be listed. This is somewhat of a shift from the original goal of funding state enterprises. As a result, SSE now receives more listings of many large government companies.

## Market Scope

There are two categories of stocks: the A-share and the B-share. The A-shares are for domestic people to trade in RMB yuan, and the B-shares are designated for foreigners. The B-shares on SSE trade in US dollars, and the ones on SZSE in Hong Kong dollars. A few years ago, in an effort to stimulate the trade volume of B-shares, mainland Chinese having passports and foreign currencies were allowed to trade B-shares on both exchanges. Since the currency is controlled, not too many people have the foreign currency to trade B-shares, resulting in B-shares trading not very active. One other issues of concern is that the B-share listings have not been reformed.

Today, there are a total of about 2000 stocks traded on both exchanges, with a total market capitalization (including non-float original shares) of roughly 5.4 trillion yuan (about US$860B). The market cap for only the float shares is about 2 trillion yuan (US$320B). Just over 100 of these are B-share listings.

There are about 30 ETF's traded on the exchanges - all are stock index related ETF's. There are also about 30 LOF's (Listed Open-end Fund) and 30 CEF's (Closed-End Fund) traded on the exchanges.

Currently average daily trading amount is 200 billion yuan (US$30B).

At the present time, there is no options market.

## Trader Eligibility

To open an A-share account, one has to have a mainland Chinese ID card – other types of identification (even Chinese passports) are not accepted. One person can only open one account in the country, regardless of which brokerage firm. But one is free to choose a brokerage, and then later transfer to another brokerage. There is no requirement as to the size of the account. To open a B-share account, one has to have a passport (initially only foreign passports, and now Chinese passports as well) – the mainland Chinese ID card is not accepted. One can open multiple B-share accounts. Once the account is open one can trade (either A-share or B-share) on both SSE and SZSE exchanges.

In the process of opening a brokerage account, a bank ATM card has to be presented. The bank account attached to that card will be tied to the brokerage account, so that funds can be freely transferred between the two. The brokerage firm will not transfer funds to any other bank account, nor will it receive cash deposit or provide cash withdrawals.

## Trading

Trading can be done by phone, at a trading terminal at the brokerage, with a clerk at the brokerage, or with trading software over the Internet. Both markets support three order types: market orders, limit orders, and cancel orders. And the orders are only good for the day. There are no other types of orders, including stop orders. Also, all trades of the A-shares are T+1, meaning that one cannot sell shares bought in the same day. B-shares allow for T+0 trading with three-day settlement. There is no restriction on number of trades for any account.

Up until recently, short selling and buying on margin were not allowed. Since early 2010, to help the newly launched index futures trading, there have been some small-scale trials for short selling and margin buying, limited to about 90 stocks, most of them large-cap. Excessive margin requirements for both long and short positions make it generally not worth the trouble.

## Advanced Trading Environment

Since the late 90's, all traders large and small have had free access to various terminal software provided by brokers, which allow them to receive and analyze real-time market data. The software mostly enables the user to program some more or less sophisticated indicators that advise them to buy or sell, or perform stock screening. The software can not only analyze technical information, but can also access fundamental data to some varying degree. For an added fee (as much as $200 per year), software vendors can provide traders with access to real-time Level-2 data, as well as the associated functionality.

Automated trading is generally not supported, but through special arrangements with certain brokerages, the service is provided on an experimental basis (meaning the quality can not be guaranteed) through the use of some of the brokerage's infrastructure (though the T+1 time frame can not be bypassed for A-shares). Since the quality of execution cannot be guaranteed, full automation is not reliable – some one has to be present at all times during trading.

## A Special Market Indicator

An interesting phenomenon in China's stock trading is that brokerage offices all over the country serve as local trading houses. Brokerage offices typically provide a hall with lounge space (similar to large airport terminals), a large electronic securities display, and a group of trading terminals. Many people, mostly retired elderly, come during trading hours. At times, some offices can have as many as 500 people present. While they may watch the securities display and trade at times, they are actually more occupied with various types of amusement with people (sitting or standing) nearby. The aggregate sentiment of these people can serve as a very good measure of the market status.

Issues

Among the 100 or so B-shares, 90% also have an A-share listing. There is no arbitrage mechanism between the two listings, resulting in huge differences in price between the two. Currently all A Shares are priced higher than B Shares, with a difference of anywhere between 50% and 400%, of which 200% is fairly commonplace.

The lack of arbitrage is not only between A- and B- shares, but also between A- and H- (Hong Kong) shares, A- and N- (New York but referring to all US) shares, and A- and S- (Singapore) shares.

Because short selling and other market mechanisms are highly limited at this time, price manipulations are prevalent. Even large cap stocks are not immune to these manipulations.

Trading Hours: 9:30am ~ 11:30am 1:00pm ~ 3:00pm

Opening Prices: Market opening prices are set according to electronically matching bid and ask prices during the 15 minutes prior to the opening.

Minimum Price Change: 0.01 yuan

Ordinary Commission Traders Pay: 0.25% of transaction amount

Daily Up/Down Limit: Generally, all individual stocks are subject to a daily price limit of 10% (up or down) from prior day's closing price. This limit is 5% for some companies with poorer records.

English Web Pages:

Shanghai Stock Exchange: http://www.sse.com.cn/sseportal/en/home/home.shtml

Shenzhen Stock Exchange: http://www.szse.cn/main/en/

## *Commodity Futures Exchanges*

History

Around the same time as the founding of the stock exchanges, when few regulations existed, futures related work was very active throughout the country. Many local governments set up futures exchanges. Prior to 1994, there had been over 50 futures exchanges in the country. There were 300 dedicated futures brokerage firms, and over 2000 institutions dealing in futures products as a secondary business. There were a large variety of products traded, and contract terms were diverse. In order to control and standardize financial products, the central government instituted regulations to restructure and consolidate the industry. So, in 1994, 50 exchanges were merged into 14, many non-standardized products were removed from trading, and the plan for launching new financial products for large commodities like steel, petroleum, sugar and vegetable oil was stopped.

After this first restructuring, futures trading was greatly affected, and trading volume dropped substantially. Brokerages had to reduce commissions, institutions dealing futures as a secondary business competed with non-standard industry practices, and exchanges had to launch some new products. All this prompted the government to carry out a second restructuring in 1998. The 14 exchanges then were required to make changes. Some merged and some agreed to take a license as a stock brokerage, resulting in the three current exchanges: SHFE, DCE, ZCE. Futures products were reduced from 35 to 12. Futures brokerages were required to be dedicated to the business and have more operating capital, so as a result, many institutions previously dealing futures either merged or gave up the business. Further, in 1999, the State Council released various new regulations for the futures industry. The the new regulations have brought order to the industry, however the changes have also undermined traders' confidence, causing trading volumes to continue to drop.

In 2001, all members of the futures industry have come together to form the China Futures Association, a self-regulating body. With internal and external regulations, China's futures trading has now come into shape. Since 2001, futures trading activities have largely rebounded.

Differences Among Exchanges

The Shanghai exchange focuses on metal and industrial commodities, the other two – Zhengzhou and Dalian exchanges - handle mainly agricultural produces and minor industrial materials.

Trader Eligibility

To open a commodity futures account, one has to have a mainland Chinese ID card – other types of identification (even Chinese passports) are not accepted. One person can open multiple accounts with different brokerage firms. The process requires more paperwork than that for the stock accounts. Very strictly, a live picture of the applicant has to be taken at the applications office. There is no requirement as to the size of the account. Once the account is open one can trade on all the three exchanges.

In the process of opening an account, one or more bank ATM cards have to be presented. These bank accounts attached to the cards will be tied to the brokerage account, so that funds can be freely transferred among them. The brokerage firm will not transfer funds to any other bank account, nor will it receive cash deposit or provide cash withdrawals.

All accounts can only trade on all mainland Chinese futures exchanges.

By regulation, Chinese brokerages can not offer overseas trading to either individuals or businesses in China. And, there are nearly no licensed foreign brokerages operating in the country. Plus, cross-border currency flows are tightly controlled. As a consequence, overseas trading by Chinese individuals and businesses is very much restricted. If one has some means to transfer funds across the border and open an account at a foreign brokerage firm, then it would be OK. Establishing residency in another country, or registering a business entity overseas, for instance, would help in that regard. For those not able to establish foreign presence, currently though in very low profile, various world-wide brokerages (with operations overseas, mostly in Hong Kong) offer to the mainland Chinese mail-in application services to open trading accounts, of course, these accounts can not trade in mainland Chinese markets.

## Trading

Trading can be done by phone, by written instructions, or most commonly with trading software over the Internet. There are only four types of orders: buy, sell (to cover a long position), sell short, and cover (to cover a short position). Orders to buy and sell short are independent, which means one cannot negate the other. For instance, to change from a long position to a short position, one has to execute a sell order first, and then sell short. If one does not complete the sell order first before selling short, a short position will be opened to coexist with the outstanding long position. Even though some software has a shortcut in the interface that allows the trader to achieve this in one step, it is actually counted as 2 trades, and so 2 commissions are incurred. All markets support limit orders and cancel orders. Orders can only be received during trading hours and are only good for the day. There are no stop orders or any other type of orders. Also, all trades are T+0, meaning that one can cover any position opened in the same day.

As far as margin requirements are concerned, all trades are taken as stand-alone trades, ie. margin is calculated for each trade individually. There are no special margin considerations for trades made in combination (eg. cross-month or cross-product).

Generally, there is no restriction on how one can trade. But the exchanges have varying rules that disallow aggressive trading.

## Arbitrage

Cash-futures arbitrage is allowed, but many comment that the process is not simple, and some financial products even require that the commodities be of certain industrial brands, which can be hard to find.

Cross-market arbitrage involves import/export tax liabilities, which can be heavy in China.

As mentioned before, brokerages do not facilitate trades in both overseas and Chinese markets, so any speculative cross-market arbitrage would have to be done in two separate brokerage accounts, obviously with no benefit of reduced margin requirements due to the opposite positions.

Since cross-market cash arbitrage involves import/export transactions, not only the tax liabilities have to be taken into consideration, but also specific permission to import/export the goods will have to be obtained from the foreign trade administration office, over and above the futures trading. The best way is to first apply for an import/export business permit, and proceed from there.

That being said, futures prices in China are generally well behaved, both in the sense of alignment with global markets and among prices of different contract months – far better than the stock markets. But at times, a lot of aberrations are easily distinguishable, not only between China and overseas markets, but also among the prices of different contract months.

Advanced Trading Environment

Similar to the stock market, all traders large and small have free access to various terminal software provided by the brokers that receive and analyze real-time market data. The "real-time data" here means the data are sent twice per second to the end user's terminal. All trading software enables the user to program some more or less sophisticated indicators that advise them to buy or sell.

In addition to providing access to the mainland futures markets, most futures software also include a variety of approximate real-time data for many markets across the world, including the mainland and Hong Kong stock markets, mainland company shares traded around the world, worldwide major stock indexes, and major worldwide futures/commodities/currency exchanges etc.

The quality of data varies from software to software, particularly for commodity futures indexes.

One thing that is lacking is the availability of quality pure data feed (free or commercial) that is independent of any software platform.

Automated trading is available upon request with some brokerages, but it is currently at a very primitive stage in the sense that 1) the quality can not be guaranteed, and 2) functionalities supported are minimal. However, because different functionalities are available in different services, some sophisticated traders may be able to improvise systems to improve their own capabilities (which might be considered a form of hacking).

In recent years, an open API (application programming interface) trading platform called Comprehensive Transaction Platform (CTP) has gradually been adopted by brokerages. It provides live data and facilitates trades through the API. With it, sophisticated traders can better design and implement their strategies using more complex schemes that a computer can be programmed to do.  But one disappointment is that historical data is not seamlessly integrated.

Whatever the case may be, full automation is not realistic at this time. Since orders are occasionally missed, computerized trading is not reliable.  Even though orders may be triggered and sent by a computer automatically, someone has to be present at all times during trading in order to confirm such trades.

## Commodity Futures Exchanges - Shanghai Futures Exchange

English Web Page: http://www.shfe.com.cn/Ehome/index.html

Trading Hours: 9:00am ~ 10:15am 10:30am ~ 11:30am 1:30pm ~ 3:00pm

Opening Prices: Market opening prices are set according to electronically matching bid and ask prices during the 5 minutes prior to the opening.

Daily Settlement Price: median price of the daily trading range

Contract Months: Generally every month from January to December. Some products may vary

Currently Traded Products:

| Products (symbol) | Contract Size (tons) | Exchange Minimum Margin | Recent Typical Daily Volume (contracts) | Daily Price Limits (from last settlement Price) | Tick Size (yuan/ton) |
|---|---|---|---|---|---|
| Steel Rebar (RB) | 10 | 7% | 700,000 | 5% | 1 |
| Steel Wire(WR) | 10 | 7% | 100 | 5% | 1 |
| Copper (CU) | 5 | 5% | 500,000 | 3% | 10 |
| Zinc (ZN) | 5 | 5% | 500,000 | 4% | 5 |
| Aluminum (AL) | 5 | 5% | 100,000 | 3% | 10 |
| Lead (PB) | 25 | 8% | 2,000 | 5% | 5 |
| Rubber (RU) | 5 (10 since 0812 contract) | 5% | 900,000 | 3% | 5 |
| Fuel (FU) | 50 | 8% | 4,000 | | 1 |
| Gold (AU) | 1 kilogram | 7% | 70,000 | 5% | 0.01 yuan/gram |

## Commodity Futures Exchanges - Zhengzhou Commodity Exchange

English Web Page: http://english.czce.com.cn/

Trading Hours: 9:00am ~ 10:15am 10:30am ~ 11:30am 1:30pm ~ 3:00pm

Opening Prices: Market opening prices are set according to electronically matching bid and ask prices during the 5 minutes prior to the opening.

Daily Settlement Price: volume weighted average of the daily trading range

Contract Months: Generally every month from January to December. Some products may vary

Currently Traded Products:

| Products (symbol) | Contract Size (tons) | Exchange Minimum Margin | Recent Typical Daily Volume (contracts) | Daily Price Limits (from last settlement Price) | Tick Size (yuan/ton) |
|---|---|---|---|---|---|
| Strong Gluten Wheat(WS) | 10 | 5% | 2,000 | 3% | 1 |
| Hard White Wheat(WT) | 10 | 5% | 2,000 | 3% | 1 |
| Cotton (CF) | 5 | 5% | 300,000 | 4% | 5 |
| Sugar (SR) | 10 | 6% | 100,000 | 4% | 1 |
| PTA (TA) | 5 | 6% | 100,000 | 4% | 2 |
| Rapeseed Oil (RO) | 5 | 5% | 30,000 | 4% | 2 |
| Early Long-Grain Nonglutinous Rice(ER) | 10 | 5% | 50,000 | 3% | 1 |

## Commodity Futures Exchanges - Dalian Commodity Exchange

English Web Page: http://www.dce.com.cn/portal/cate?cid=1114494099100

Trading Hours: 9:00am ~ 10:15am 10:30am ~ 11:30am 1:30pm ~ 3:00pm

Opening Prices: Market opening prices are set according to electronically matching bid and ask prices during the 5 minutes prior to the opening.

Daily Settlement Price: volume weighted average of the daily trading range

Contract Months: Generally every month from January to December. Some products may vary.

Currently Traded Products:

| Products (symbol) | Contract Size (tons) | Exchange Minimum Margin | Recent Typical Daily Volume (contracts) | Daily Price Limits (from last settlement Price) | Tick Size (yuan/ton) |
|---|---|---|---|---|---|
| Corn (C) | 10 | 5% | 200,000 | 4% | 1 |
| Soybean 1 (A) | 10 | 5% | 200,000 | 4% | 1 |
| Soybean 2 (B) | 10 | 5% | 100 | 4% | 1 |
| Soybean Meal (M) | 10 | 5% | 400,000 | 4% | 1 |
| Soybean Oil (Y) | 10 | 5% | 450,000 | 4% | 2 |
| RBD Palm Olein (P) | 10 | 5% | 150,000 | 4% | 2 |
| PVC (V) | 5 | 5% | 60,000 | 4% | 5 |
| LLDPE (L) | 5 | 5% | 900,000 | 4% | 5 |
| Coke (J) | 100 | 5% | 5,000 | 4% | 1 |

## ***China Financial Futures Exchange***

English Web Page: http://www.cffex.com.cn/en_new/

History

The first type of financial futures product that was introduced in China was government bond futures, launched in December of 1992 by the Shanghai Stock Exchange, and initially designated only for the internal business of brokerages country-wide. By October of 1993, these products were open to public trading, both on SSE and on the Beijing Commodity Exchange. By the end of 1994, there were 14 exchanges trading bond futures. It was reported that the total amount of bond futures trading in that year was 2.8 trillion yuan (US$446B at today's exchange rate).

Then, in 1995, there were reportedly some severe manipulations of futures prices made by certain institutions. On February 23, these institutions sold short a huge number of "327"contracts, forcing it to close limit down. This action destroyed countless trading accounts in the country. It was later referred to as the "Barings Bank event in China".

The China Securities Regulatory Commission (CSRC) immediately investigated the matter, and concluded that bond futures were not suitable for China, and ordered the termination of trading in these products.

Before recent years, government bond futures was the first and only financial futures product available in mainland China.

By 2005 the futures industry was more properly regulated, therefore CSRC took the new initiative of launching stock index futures.

Following that initiative, in 2006 CFFE was jointly founded by the two stock exchanges and the three commodity futures exchanges, with a mandate to trade financial index futures. Due to concerns with the earlier problems with government bond futures, the schedule was postponed many times. Actual trading started in April of 2010. Currently the exchange only trades one product, the futures for the CSI 300 index, which tracks 300 large companies traded on Shanghai and Shenzhen stock exchanges.

Besides futures, the exchange is also intended to trade options and other derivatives at some time in the future.

Trader Eligibility

The right to trade financial futures can be obtained with either an add-on to an existing commodity futures account or the opening of a new account. Either way, one has to have mainland Chinese ID card – other types of identification (even Chinese passports) are not accepted. One person can open multiple accounts with different brokerage firms. As with the commodity futures account, the process requires a lot of paperwork and a live picture taken at the applications office. Unlike the commodities account, it requires that the trader has a minimum of 500,000 yuan deposited in the account before the account is activated.

As with other types of accounts, one or more bank ATM cards have to be presented. These bank accounts attached to the cards will be tied to the brokerage account, so that funds can be freely transferred among them. The brokerage firm will not transfer funds to any other bank account, nor will it receive cash deposit or provide cash withdrawals.

Trading

The section about trading in commodity futures applies here.

Arbitrage

As far as margin requirements are concerned, all trades are taken as stand-alone trades, ie. margin is calculated for each trade individually. There are no special margin considerations for trades made in combination (eg. cross-month or cross-product).

Because there is basically no short selling mechanism on the stock exchanges, cash arbitrage of the index futures is not straight-forward. It requires that institutions re-balance their existing long positions of individual stocks. Currently, the four CSI 300-related LOF's can be used to accomplish this.

Advanced Trading Environment is mostly the same as in commodity futures.

Trading Hours: 9:15am ~ 11:30am 1:00pm ~ 3:15pm

Opening Prices: Market opening prices are set according to electronically matching bid and ask prices during the 15 minutes prior to the opening.

Daily Settlement Price: Volume weighted average of the last hour's trading

Contract Months: current month, next month, the last months of the 2 recent quarters

Currently Traded Products:

| Products (symbol) | Contract Multiplier | Exchange Minimum Margin | Recent Typical Daily Volume | Daily Price Limits | Settlement Method | Tick Size |
|---|---|---|---|---|---|---|
| CSI 300 Index | 300 yuan | 12% | 200,000 contracts | 10% from last settlement Price | Cash | 0.2 of index points |

# ***China Gold Exchange***

English Web Page: http://www.sge.sh/publish/sgeen/index.htm

History

Established by the People's Bank of China (China's central bank) in 2002, it initially only allowed the precious metal industries to trade gold, silver, and platinum. It offers two types of vehicles: spot delivery vehicles and margin-based forward contract deferred delivery vehicles. In recent years it has started to accept speculators through banks. Speculators can only trade the forward contract, but without delivery.

Trader Eligibility

In order to trade on CGE as a speculator, one has to have a bank account in a bank that offers this service. The account has to be opened with a mainland Chinese ID card. Also before trading can be activated, web banking feature has to be enabled first for the account. One person can open multiple accounts with different banks.

Trading

Speculators' trading is through the bank's website, using a secure USB key. Limit orders and cancel orders are supported. Traders can buy, sell, sell short, and cover, just as for futures.

The forward contracts are arranged such that a trader can hold a position (long or short) as long as he wants. While he is holding the position, he either has to pay a deferring fee or receives a payment at certain intervals (daily or monthly, depending on the particular product). For each product, the exchange calculates the fee amount and direction based on the ratio of delivery requirements separately from long and short sides. For example, if at this time, more long contracts are to be delivered than short contracts, the non-delivering the non-delivering short position holders need to pay to the long position holders a fee as an interest payment, and vice versa.

Trading Time: 9:00am ~ 11:30am 1:30pm ~ 3:30pm 9:00pm ~ 2:30am

Spot Products (not available to speculators):

Au99.95, Au99.99, Au50g, Au100g, Ag99.9, Ag99.99, Pt99.95

Deferred Delivery Products (availability depending on the bank):

Au(T+5), Au(T+D), Au(T+N1), Au(T+N2), Ag(T+D)

Exchange Margin Requirement: 11%

Daily Up/Down Limit: 7%