37th IOSCO Annual Conference

Current Development and Future of Financial Futures Market in China

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Agenda

1 Overview of CSI 300 stock index futures

2 CFFEX's preparations for treasury bond futures

3 Prospect of China's financial futures market

1 Overview of the CSI 300 stock index futures

Since the launching on April 16th, 2010, the CSI300 stock index futures has run stably, rationally, normatively and maturely. Functions of the futures market display gradually. The stock index futures has been successfully embedded in the capital market.

We find the following characteristics：

- Active trading and desirable market order
- Good operation quality and high market maturity
- Strong market supervision and regulated operation

1.1 Active trading and desirable market order

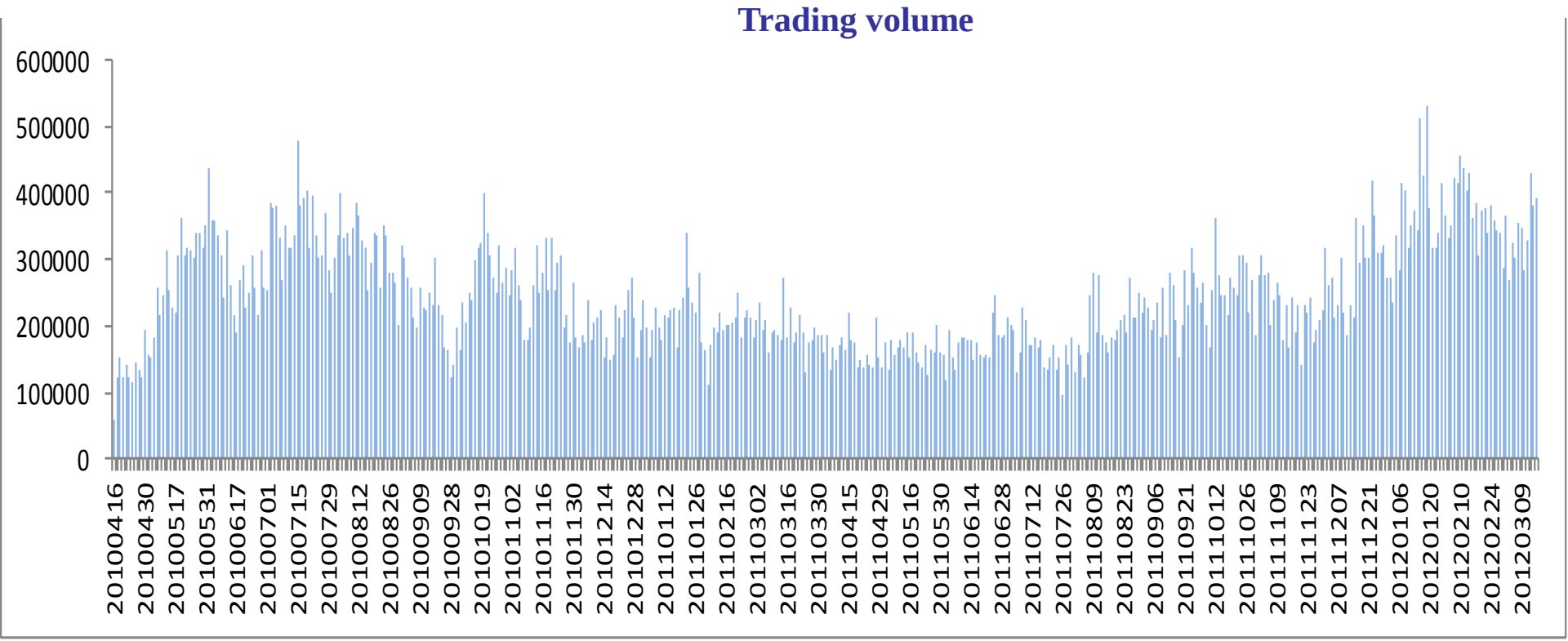
Investors grows stably with 100,879 accounts as of May 11th, 2012

Accounts of CSI 300 stock index futures (As of 11th May, 2012)			
Natural persons	**98,863**		
General legal entities	**1,779**	Through IB	**26,725**
Special legal entities	**237**	Through futures firms	**74,154**
Total	**100,879**		

1.1 Active trading and desirable market order

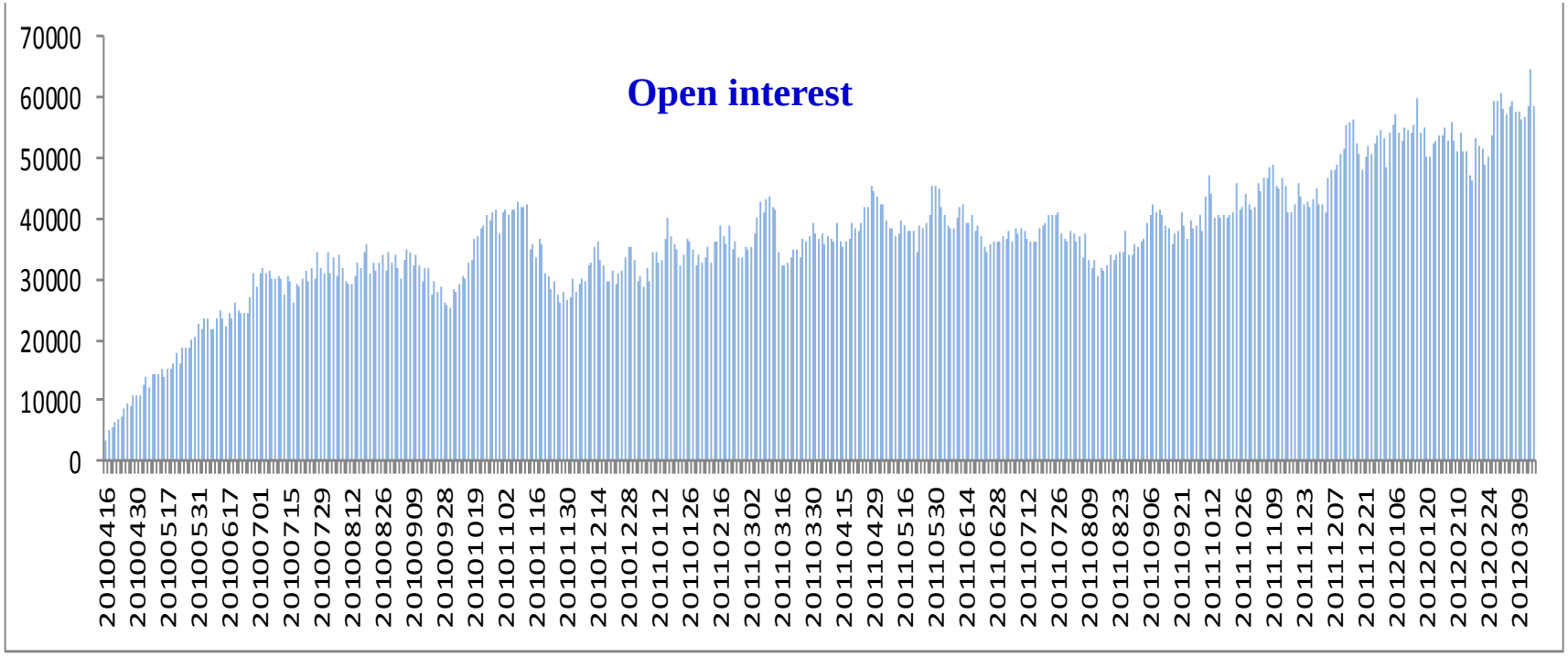
The trading volume accumulated to 124 million contracts with notional value 105.8 trillion Yuan (USD 16.79 trillion) by 4th May, 2012;

The ADV is up to 246 thousand contracts, daily trading value 213.29 billion Yuan (USD 33.85 billion)



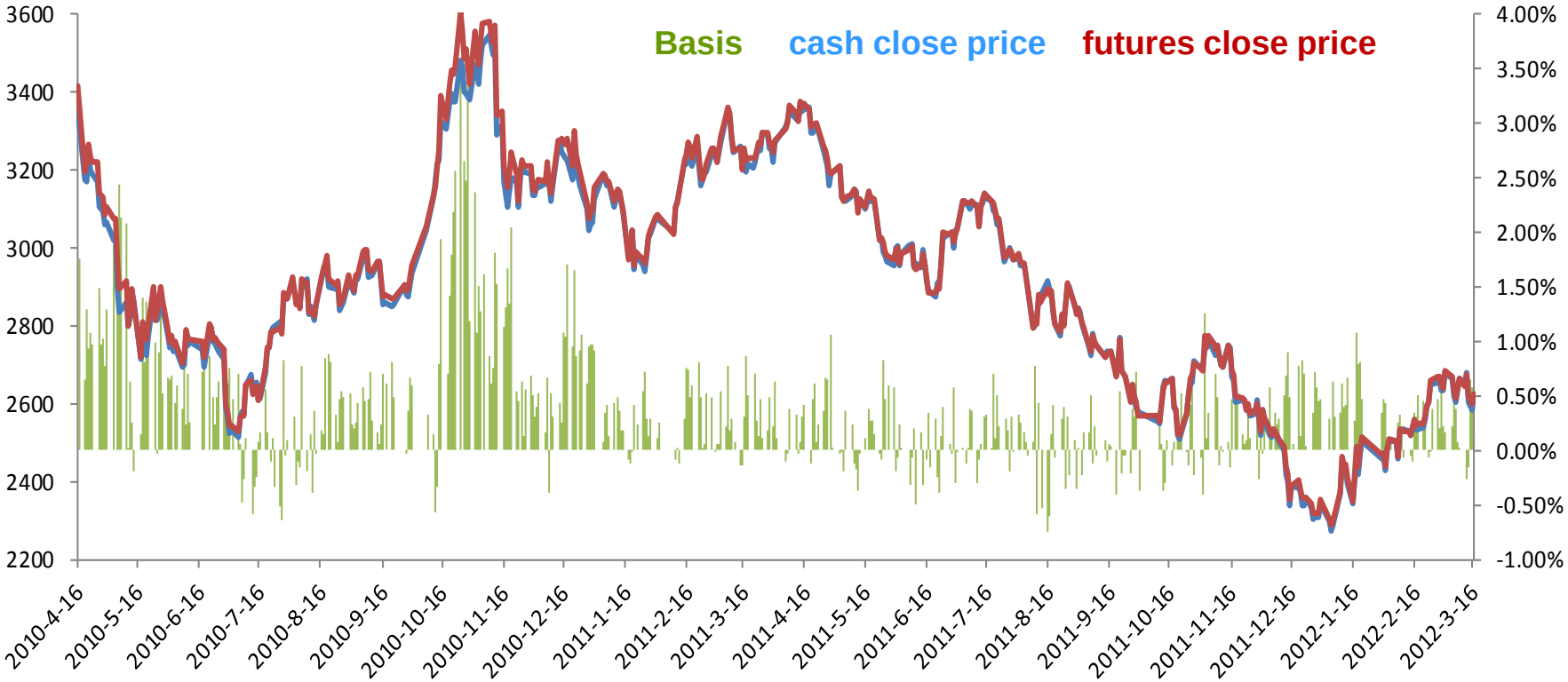
1.2 Good operation quality and high market maturity

- Stable and gradual growth of open interest
- The average daily open interest is up to 38,288 contracts
- The open interest has grown to a new high in recent months



➢ Futures price converges well with cash market

- Correlation between futures prices and underlying index keeps 99% or above
- Slim basis with few market arbitrage opportunity
- 24 monthly contracts have been settled/delivered without so called "expiration effect".



1.3 Strong market supervision and regulated operation

— **Investor Suitability Rule** guarantees the safe and stable running of the market

Three requirements:

- Capital
- Knowledge
- Experience

—Cross-market regulation and collaboration mechanism prevents the cross-market risks

上海证券交易所
SHANGHAI STOCK EXCHANGE

深圳证券交易所
SHENZHEN STOCK EXCHANGE

中国金融期货交易所
China Financial Futures Exchange

中国证券登记结算有限责任公司
China Securities Depository and Clearing Corporation Limited

中国期货保证金监控中心
China Futures Margin Monitoring Center Co.,Ltd

1.4 Functions of CSI 300 futures market

Although only operating for two years, the CSI 300 index futures has generated positive effect on China's stock market. Two significant changes:

- Investment strategies and operating models of the institutions change as the index futures provides a risk management tool

- Financial innovation has been accelerated and the capital market further deepened.

2. Preparations for the treasury bond futures

1. Contract Specifications

2. Rules arrangement

3. IT system

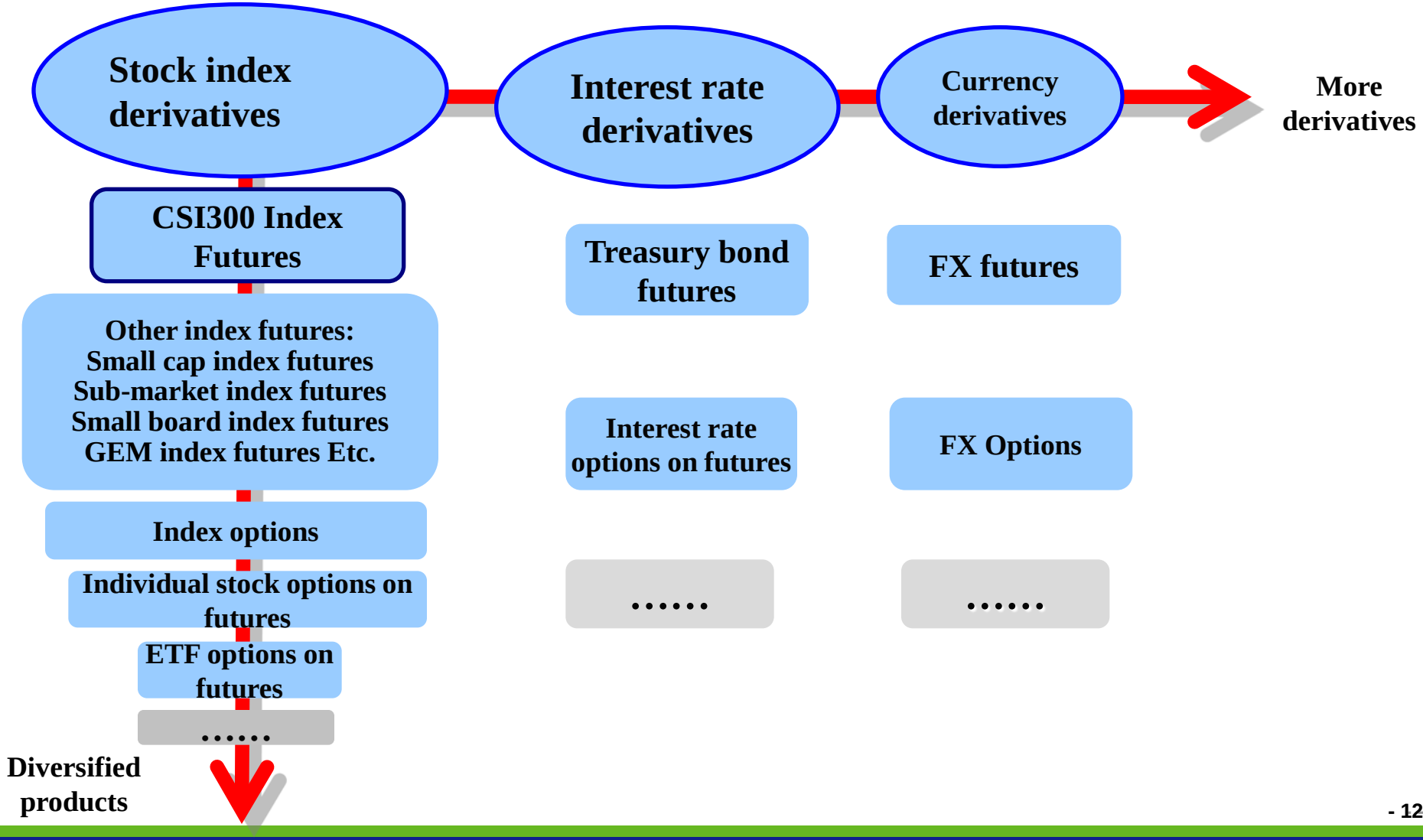
4. Investor education and training

5. Mock trading

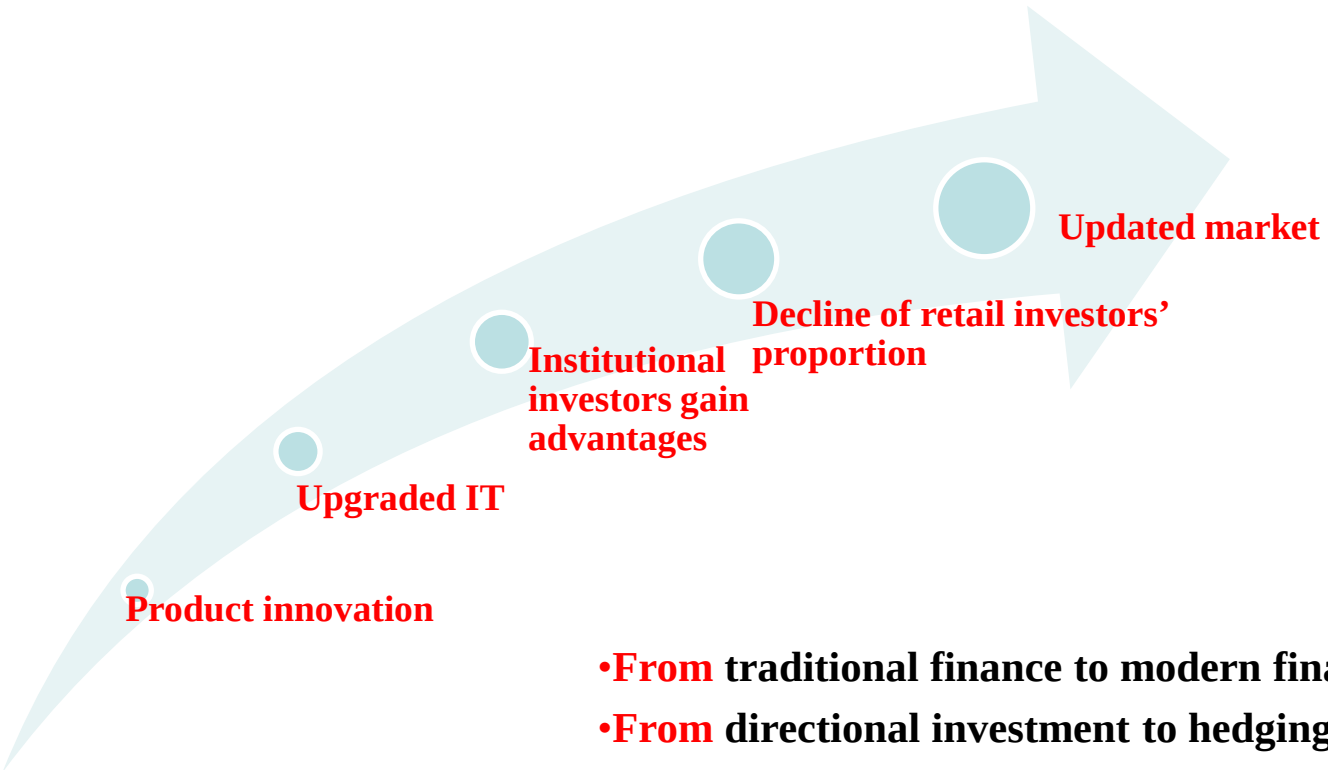
5-year treasury bond futures contract specifications in CFFEX

Item	Contract Specifications
Underlying Asset	Medium term treasury bond with face value of ￥1,000,000 and coupon rate of 3%
Deliverable Grades	The fixed rate China Treasury bond with a remaining term to maturity of 4-7 years as of the first day of the delivery month.
Price Quote	Clean price /￥100
Tick Size	0.002￥
Contract Months	The latest three quarterly months (March, June, September, and December cycle)
Trading Hours	9:15-11:30, 13:00-15:15；last trading day：9:15-11:30
Maximum daily Price limits	±2% of the previous settlement price
Minimum Margin	2% of the contract value
Daily settlement price	Volume-weighted average price (VWAP) of trades in the last hour
The last trading day	Second Friday of the expiration month
Delivery method	Physical delivery
Delivery Day	Forth business day following the last trading day
Settlement price for delivery	Volume-weighted average price on the last trading day
Transaction code	TF

3. The prospect of China's financial derivatives market



Era of financial futures in China



- **From** traditional finance to modern finance
- **From** directional investment to hedging strategies
- **From** the pursuit of the absolute return to the pursuit of risk-adjusted return
- **From** era of individual investors to era of institutional investors

—— Serve for China's real economy

Thank you !