

ACW 2019: SHFE to speed up its pace of internationalization, especially in copper

The Shanghai Futures Exchange is moving closer to opening up to overseas investment with a recent feasibility study for the launch of qualified foreign institutional investors (QFII) and RMB qualified foreign institutional investors (RQFII) programs for copper and other products, the exchange's senior manager of commodity trading section I told Fastmarkets.

"This move is part of [SHFE's intention] to go global," Ge Wanwan said in an interview during Asia Copper Week in Shanghai on Friday November 22. "Research on the internationalization of the SHFE copper futures market is on the way."

As part of the internationalization of the exchange, the QFII program will allow specified licensed international institutional investors to invest in a limited scope of cross-border products - including copper - in the context of incomplete free flow of capital accounts. RQFII is a yuan-dominated QFII.

The timeframe for the initiative is not yet known, Ge added.

Jiang Yan, chairman of the bourse, said on national media channel China Central Television 4 (CCTV 4) in mid-September that all non-ferrous metals on SHFE are qualified to be opened to international investors, especially copper.

The SHFE will introduce a copper bonded contract at a later date, which will be available to global investors, Yan said. "Meanwhile, the launch of QFII and RQFII is set to diversify tools for worldwide investors to participate in Chinese futures markets and speed up the pace of Chinese futures market internationalization."

SHFE copper options: a year later

[SHFE started copper options trading just over a year ago](#) on September 21, 2018. It came nearly 30 years later than its two competitors, the London Metal Exchange and the United States' Comex, began copper options trading in 1987 and 1988 respectively.

Since its launch, the ratio between SHFE's daily average volume of copper options and the underlying futures contract has been 11.11% as of November 22, 2019. The corresponding ratios on the LME and Comex were 4.34% and 1.08% respectively in 2018, according to statistics from the US Futures Industry Association (FIA).

When the ratio of trading volumes between an option and a futures contract is high, it indicates the successful role an option is playing as a hedging tool, Luo Zhilin, senior

manager at the SHFE's derivatives section I, told Fastmarkets.

By comparing the SHFE to its overseas counterparts, you can see the SHFE copper option has developed well over the past 14-months and attracted wide attention from market participants, Luo added.

The SHFE launched its copper futures contract in 1991 and its yearly trading volume ranks third behind the LME and CME.

The trading volume of SHFE's copper futures contract during January-September 2019 was 28 million lots with turnover at 673 million yuan (\$95.8 million). The volume and trading value in the whole of 2018 was 51 million lots and 1.298 billion yuan.