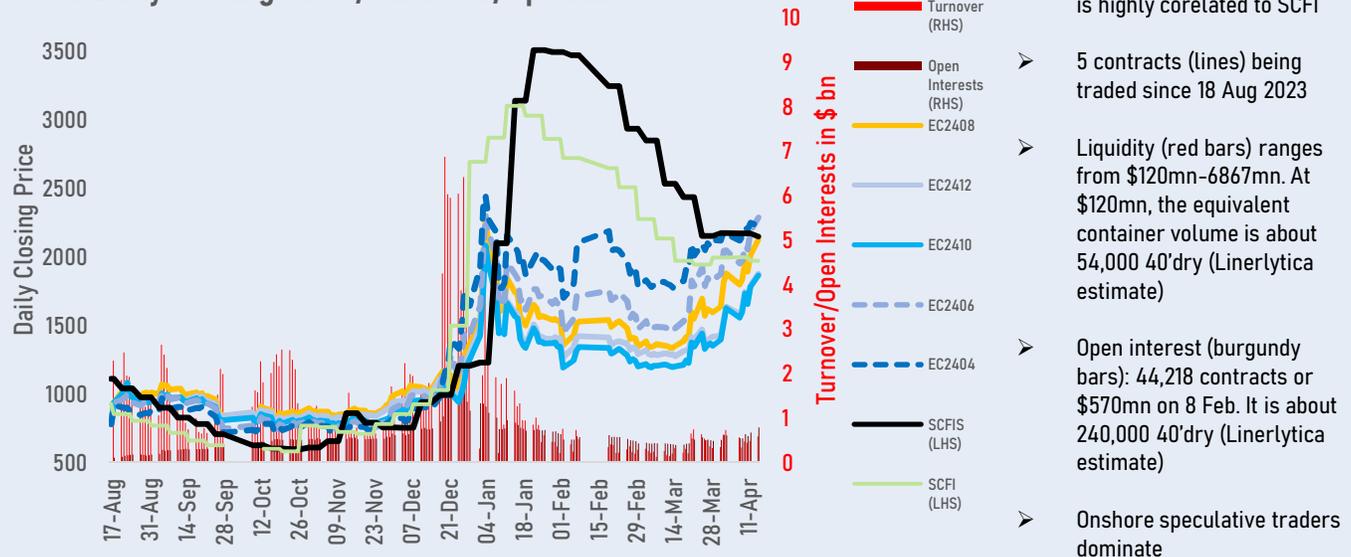


Container Freight Index Futures (CoFIF) - CoFIF are futures contracts traded on the International Energy Exchange, a bonded futures market owned by the Shanghai Futures Exchange and regulated by the China Securities Regulatory Commission. Industry users can trade CoFIF through futures brokers.

Product/Market	Product Terms	Illustration/Examples
Underlying	SCFIS - Shanghai (export) Containerized Freight Index on Settled Rates	A product of the Shanghai Shipping Exchange. SCFIS is based on FAK freight rates declared in bill of lading for shipments departed in the past week
Contract Multiplier	50 Yuan per index point	One lot of CoFIF is worth the index multiplied by 50 E.g. Index = 1,943. One lot is RMB 97,150
Price Quotation	Index Points of SCFIS	Linerlytica estimate: 1 SCFIS index point = \$1.3 per 40'dry for the AE route
Trading Hours	Pre-market: 08:55-08:58:59; Trading: 09:00-10:15, 10:30-11:30, 13:30-15:00	
Last Trading Day	The last futures-trading Monday of the delivery month	EC2404's last trading day is 29 April
Contracts Available	EC2404, EC2406, EC2408, EC2410, EC2412	E.g. EC2404 is expiring on 29 April with the settlement price based on the average of the previous 3 weeks' SCFIS in April
Settlement Method	Cash settlement. No physical settlement	E.g. Trader A buys one lot of EC2404 at 1,943 SCFIS on 18 Jan 2024. By 29 April, the SCFIS averaged 2,500 over the last 3 prints in April. Trader A will receive RMB 27,850 (557x50) while another trader, Trader B, who sold to Trader A at 1,943 SCFIS now will have to pay RMB 27,850 on 29 April.
Product Symbol	EC - European Contract	The current CoFIF only has Shanghai-North Europe contracts. Later contracts covering other routes would have other symbols.
Minimum Trading Margin	18% of contract value	Subject to change by INE. Take the above example of a RMB 97,150 per lot contract value. Trader A who bought one lot of EC2404 will need to put down RMB 17,487 (18% of RMB 97,150) while Trader B who sold also has to put down RMB 17,487. Subject to change by the INE.
Daily Price Limit	Within ±16% of the settlement price of the preceding trading day	Subject to change by the INE.
Exchange	INE - International Energy Exchange	State-owned enterprise, subsidiary of Shanghai Future Exchange, and regulated by the CSRC. The INE is considered a bonded marketplace where trading returns are not subject to China's onshore tax regime
Future Brokers	INE has a long list of Brokers	BANDS Financial is an Overseas Special Broker Participant of INE

CoFIF Daily Closing Price/Turnover/Open Interests

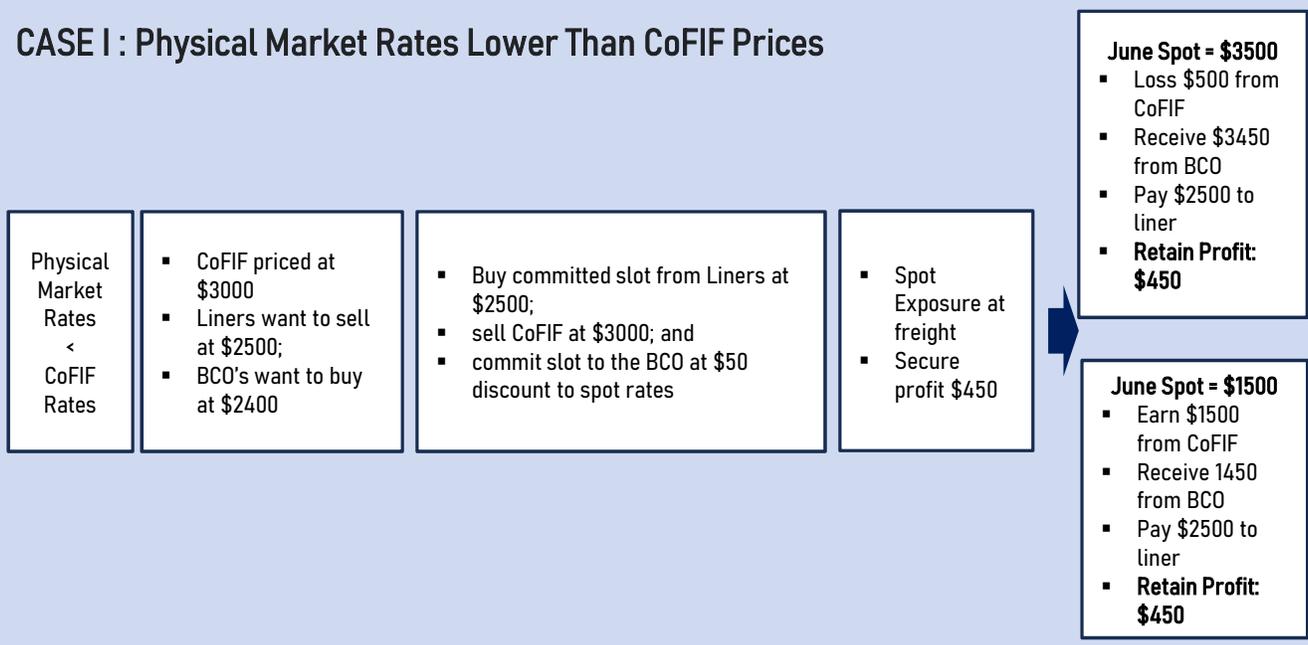


- Benchmarking SCFIS, which is highly correlated to SCFI
- 5 contracts (lines) being traded since 18 Aug 2023
- Liquidity (red bars) ranges from \$120mn-6867mn. At \$120mn, the equivalent container volume is about 54,000 40'dry (Linerlytica estimate)
- Open interest (burgundy bars): 44,218 contracts or \$570mn on 8 Feb. It is about 240,000 40'dry (Linerlytica estimate)
- Onshore speculative traders dominate

Product Advantages and Application

Features	CoFIF Characteristics	Advantages
Liquidity	\$120mn-\$7bn	Easy to execute large volumes without impacting the trading price. On a quiet day, i.e. turnover at \$200mn, the implied container volume is 54k x 40'dry.
Digitalization	Trades are matched/cleared digitally	Trades at market price are done instantly. Users' front end experience would be the same as trading stocks.
Counterparty Risk	Exchange provides clearing and exchange is state-owned	The counterparty of each trade is the exchange, which is owned by the Chinese government.
Pricing	Based on SCFIS	SCFIS is based on the freight rates actually applied in the physical market as opposed to the other indices that are based on surveys or just quotations. SSE, the publisher of SCFIS, produces the longest and the most widely used container freight indices e.g. CCFI and SCFI.
Market	Bonded Marketplace in China	The market is able to tap into the ample liquidity in China without being subject to Chinese taxation. Participants can use USD to trade.

CASE I : Physical Market Rates Lower Than CoFIF Prices



CASE II : Physical Market Rates Higher Than CoFIF Prices

