

Operating Guidelines for Settlement Banks’ Segregated Funds Operation

Of

the Shanghai International Gold Exchange Co., Ltd.

I. Basic Criteria

- (1) A Settlement Bank shall process Segregated Funds Operations through automated system operations;
- (2) The Settlement Bank shall process automated transfers at a rate of no lower than 5 transactions per second;
- (3) An International Member shall open a Brokerage Account at the Shanghai branch and/or any Shanghai sub-branch, as designated by the SGEI, of a Settlement Bank;
- (4) An International Member shall, based on customer information (including customer name, customer code, customer’s bank account number and the name of the Settlement Bank) as well as the tripartite agreement concluded among the International Customer, the International Member and the Settlement Bank, link the relevant accounts of the three parties through the interface between the SGEI’s system and the Settlement Bank’s system to conduct Segregated Funds Operations; the International Member’s Own Funds Account shall be linked by the SGEI to other accounts;
- (5) In the event that the Brokerage Account is sequestrated or frozen in accordance with laws, the Settlement Bank shall immediately suspend all transactions related to the Brokerage Account and promptly report such sequestration or freeze and suspension to the SGEI.

II. Segregated Funds Transfer Procedures

Transfer of money made within the Segregated Funds Transaction system involves three accounts, namely, the bank account opened by an International Customer at a Settlement Bank (the “Customer Account”), the carrying International Member’s Brokerage Account (the “Transitional Account”) and the account opened by the SGEI at such Settlement Bank (the “SGEI’s Settlement Account”). The three accounts shall be linked based on the customer code to conduct directional transfers of money between the foregoing accounts in a “closed loop”. The International Member’s Brokerage Account is the Transitional Account designated in the customer’s Segregated Funds Transaction system for the purpose of real-time transfers of client funds.

1. Directional transfer process in a “closed loop”
 - (1) Customer inward remittance: Upon receiving a request for inward remittance through the trading terminal system submitted by a customer, the SGEI’s system will send a message for transfer to the Settlement Bank. The Settlement Bank will process the transfer of money from the Customer Account of such customer to the Transitional Account, and then the transfer from the Transitional Account to the SGEI’s Settlement Account on a real-time basis. The Settlement Bank will subsequently send a message of successful transfer to the SGEI’s system;
 - (2) Customer outward remittance: The customer will submit a request for outward remittance through the trading terminal system. After such request is reviewed by the system, a message will be sent by the SGEI’s system to the Settlement Bank. The Settlement Bank will, based on the message received from the SGEI, process the transfer to the Transitional Account after deducting the instructed amount of funds from the SGEI’s Settlement Account, and then the transfer to the Customer Account of such International Customer on a real-time basis. The Settlement Bank will subsequently send a message of successful transfer to the SGEI’s system.
2. Handling of any outward or inward remittance request made from any unlinked account
 - (1) A request made from any unlinked account for remittance into the Transitional Account shall be rejected; and a request made from the Transitional Account for outward remittance to any unlinked account shall also be rejected;
 - (2) In respect of any inward remittance request made from any unlinked account, the Settlement Bank shall take the initiative to return the money via the same route and shall neither condition such return upon the customer’s appearance in person at the Settlement Bank for any reason whatsoever, nor change the refund route at anyone’s request. For any request of outward remittance to any unlinked account, the Settlement Bank shall also take the initiative to process the return

via the same route.

3. Contingency plan

- (1) In the event that Segregated Funds Operations cannot be processed automatically as a result of banking system failure, the Settlement Bank shall process Segregated Funds Operations manually;
- (2) In the event that the automated communication between the SGEI's system and the banking system is disrupted, the Settlement Bank shall prepare and send a contingency notice to the SGEI to notify the latter of the information on the fund transfers concerned.

III. Administration of the Brokerage Account of each International Member

- (1) The Transitional Account is not allowed to receive any cash deposit;
- (2) The Transitional Account does not accrue interest and is not subject to charges for the time being;
- (3) The opening of, change in and cancellation of the Transitional Account shall be managed by the SGEI and the information required by such opening, change and cancellation shall be sent by the SGEI to the Settlement Bank through the system of the Settlement Bank. The Settlement Bank shall maintain such information in a proper manner;
- (4) The Settlement Bank shall limit by means of an agreement the International Member's access to the Transitional Account to account inquiries only; and
- (5) The Settlement Bank shall process transfers from the Transitional Account on a real-time basis to ensure the Transitional Account carries a zero balance.

IV. Opening of, Change in and Cancellation of a Customer Account

For an International Member to add a Customer Account, make a change therein and cancel such Customer Account through the SGEI's system, the three accounts involved therein must be linked or unlinked, as applicable, and the customer information (including but not limited to customer name, customer code, customer's bank account number and the name of the Settlement Bank as well as the tripartite agreement concluded among the customer, the International Member and the Settlement Bank) shall be filed with the SGEI.

V. Customer Information Management

The International Member shall be responsible for the routine maintenance of customer information. The Settlement Bank shall be responsible for the routine maintenance of the Customer Account information and shall not disclose such information to third parties or use such information to expand its client base.

VI. Business Training

A Settlement Bank shall specify the branch and/or sub-branch in charge of dealings in Segregated Funds Operations, and the operating staff involved therein must have the required license.

VII. Agreement

The SGEI shall prepare a template agreement, and the Settlement Bank shall enter into an agreement with the International Member and the customer in relation to Segregated Funds Operations. The Settlement Bank shall file with the SGEI such duly executed agreement.