

Measures for the Administration of Settlement of Shanghai International Gold Exchange Co., Ltd.

(Amended)

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Chapter I General Provisions

Article 1 This *Measures for the Administration of Settlement of Shanghai International Gold Exchange Co., Ltd.* (this **Measures**), formulated in accordance with applicable state laws, regulations, and ministry-level rules as well as the *Detailed Settlement Rules of Shanghai International Gold Exchange, Measures for the Administration of Market Activities at Shanghai International Gold Exchange Co., Ltd.*, and relevant rules, is designed to regulate the settlement activities of International Members of Shanghai Gold Exchange (the **Exchange** or **SGE**), protect the public interest and the lawful rights and interests of the trading parties, and prevent and mitigate market risks.

Article 2 The term “settlement” refers to the funds transfers and physical deliveries made according to the confirmed results of clearing, which is performed in accordance with trading results and applicable rules of the Exchange and Shanghai International Gold Exchange Co., Ltd. (**SGEI**), of the funds payable or receivable and the physical bullion deliverable or receivable by the trading parties.

Article 3 SGEI, as a wholly-owned subsidiary of the Exchange, is authorized by the Exchange to provide settlement services to the International Members of the Exchange (**International Members**).

Article 4 Trades entered into by International Members and their customers on the Exchange shall be centrally cleared by SGEI and settled at the organization of SGEI based on the clearing results.

Article 5 The funds used by International Members and International Customers in transactions on the Exchange shall be centrally managed by SGEI and used only for trading precious metal products and related derivatives on the Exchange. International Members and International Customers shall comply with administrative rules on cross-border RMB transactions; SGEI shall process cross-border funds transfers and deliveries in accordance with applicable rules of the People’s Bank of China (**PBC**).

Article 6 This *Measures* shall be applicable to all settlement activities at SGEI and shall be binding upon SGEI and International Members and their customers, Margin Custodian Banks certified by SGEI (**Custodian Banks**), and all related personnel.

Chapter II Settlement Departments

Article 7 SGEI has an internal settlement department (the **SGEI Settlement Department**) which is responsible for centrally settling trades executed on or through SGEI, managing margins, and preventing settlement risks.

Article 8 The main responsibilities of SGEI are:

- (1) to organize settlement activities;
- (2) to control settlement risks;
- (3) to prepare settlement statements and other accounting statements for International Members;

(4) to manage International Members' margins;

(5) to resolve disputes among International Members over margin accounts and payments;
and

(6) to perform other responsibilities prescribed by laws, regulations, and ministry-level rules and by the Exchange and SGEI.

Article 9 Each International Member shall set up its own settlement department (or appoint dedicated settlement staff) to be responsible for the settlement activities between itself and SGEI and between itself and its International Customers. Each International Member must file the list of contact persons for its settlement department (or its dedicated settlement staff) with SGEI for record.

Article 10 Each International Member's settlement department (or dedicated settlement staff) shall keep safe all settlement materials, financial statements, and related supporting materials and books for future examination and verification.

Article 11 SGEI has the right to examine an International Member's settlement materials, financial statements, and related supporting materials and books pertaining to its trading activities. The International Member shall cooperate with such examinations.

Article 12 Each settlement department and its staff shall keep confidential any and all trade secrets belonging to the Exchange, SGEI, and other International Members, unless their disclosure is required by laws, regulations, the judicial system, or administrative authorities.

Chapter III Custodian Banks

Article 13 Custodian Bank refers to a commercial bank certified by SGEI to assist it in providing margin custody services and settling trading funds.

Article 14 A Custodian Bank must:

(1) be a large, financially robust, and reputable domestic or overseas commercial bank. A domestic Custodian Bank shall have passed the assessment of the PBC Shanghai Headquarters on the implementation of separate accounting for Free Trade Accounts, and shall have in place a sophisticated and rapid intra-city and intercity funds transfer system. An overseas Custodian Bank shall have in place a sophisticated and rapid global funds transfer system;

(2) have sound treasury management practices and have developed the internal control system and operating procedures for custodian services as well as the contingency plan for handling anomalies including technical failures and communication breakdowns;

(3) meet the technical requirements of SGEI on custodian services and have passed system acceptance tests;

(4) offer cross-border RMB funds transfer and payment services;

(5) have professionals who are knowledgeable about precious metals trading and settlement and about futures, and who have keen awareness for risk prevention; and

(6) meet other mandatory requirements of SGEI.

Upon meeting the above criteria and obtaining the approval of SGEI, a bank shall be certified as a Custodian Bank and shall enter into a settlement agreement with SGEI regarding the rights and obligations of the parties and relevant service procedures.

Article 15 A Custodian Bank is entitled to:

(1) open the SGEI Settlement Account, International Members' Settlement Accounts, and other accounts relating to margin custody;

(2) accept deposits from SGEI and International Members;

(3) access the credit standing of International Members at SGEI;

(4) exercise other rights prescribed by the laws, regulations, and ministry-level rules of the People's Republic of China (**China**) and by the Exchange and SGEI;

Article 16 A Custodian Bank is obligated to:

(1) duly perform anti-money laundering, counter-terrorist financing, and anti-tax evasion reviews and management in respect of the International Members and International Customers for whom it has opened an account;

(2) provide to SGEI funds-related information on International Members' Settlement Accounts;

(3) prioritize funds transfers initiated by transfer instructions from SGEI and International Members and their customers, and promptly transfer the funds of International Members and International Customers to the SGEI Settlement Account;

(4) report cross-border RMB payment and receipt data in connection with cross-border RMB transactions to the RMB Cross-Border Payment & Receipt Management Information System as required;

(5) provide real-time exchange rates and foreign exchange and settlement services to SGEI and International Members and their customers;

(6) assist SGEI in examining the source and destination of the funds of International Members and their customers;

(7) promptly notify SGEI of any misconduct or risk of International Members in relation to the custody of margins;

(8) help mitigate the major risks faced by SGEI;

(9) keep confidential all trade secrets of SGEI and International Members and their customers;

(10) take necessary regulatory measures on the funds in International Members' Settlement Accounts as required by PBC, the Exchange, or SGEI;

(11) accept SGEI's supervision and guidance on relevant business activities; and

(12) perform other obligations prescribed by the laws, regulations, and ministry-level rules of China and by the Exchange and SGEI.

Chapter IV Accounts

Article 17 SGEI shall open a dedicated settlement account (the **SGEI Settlement Account**) with each Custodian Bank to hold the margin funds and relevant payments of International Members and their customers.

Article 18 An International Member must select a Custodian Bank to open a Settlement Account for each trading seat to hold its own and its customers' margin funds and relevant payments.

Article 19 Fund transfers and settlement between SGEI and an International Member shall be effected through the SGEI Settlement Account and the International Member's Settlement Accounts.

Any International Member engaging in proprietary trades shall designate one of its Settlement Accounts as its Proprietary Seat Settlement Account, to be used for proprietary trading-related funds transfers to and from the SGEI Settlement Account.

Any International Member engaging in brokerage trades shall designate one of its Settlement Accounts as its Brokerage Seat Settlement Account, to be used for brokerage-related funds transfers to and from the SGEI Settlement Account.

Any International Member engaging in brokerage trades shall also designate one of its Settlement Accounts as its Proprietary Capital Settlement Account, to be used for paying the minimum Settlement Reserve for the brokerage seat and various fees and charges, as well as for collecting commissions and interest.

Funds for proprietary trades and brokerage trades shall not be commingled.

Article 20 International Customers' funds are kept in a fully segregated system, under which the full amount of such funds is transferred into and out of the SGEI Settlement Account through the Brokerage Seat Settlement Accounts of the corresponding International Members in real time. International Customers' funds shall not be retained in Brokerage Seat Settlement Accounts except as otherwise approved by SGEI.

Article 21 Funds deposited into the SGEI Settlement Account by International Members shall be accounted for separately by SGEI. For each seat of an International Member, SGEI shall establish subsidiary accounts which may be classified, according to the nature of business, as proprietary margin account, brokerage margin account, and proprietary capital account, respectively linked to the Proprietary Seat Settlement Account, Brokerage Seat Settlement Account, and Proprietary Capital Settlement Account designated by the International Member. SGEI shall daily record and verify in chronological order such entries

as inbound and outbound funds transfers, gains and losses, Trading Margin, and transaction fees for each seat.

Article 22 Funds deposited into an International Member's Settlement Account by its customers shall be accounted for separately by the International Member. An International Member shall establish a subsidiary account for each International Customer, and shall daily record and verify in chronological order such entries as inbound and outbound funds transfers, gains and losses, Trading Margin, and transaction fees for each International Customer.

Article 23 With the authorization of International Member, SGEI may collect any amount due from the International Member's Settlement Accounts through the Custodian Bank without notice and may access at any time the balance and history of such Settlement Accounts.

Article 24 Any International Member who intends to rename, change, or close a Settlement Account must first submit to SGEI a written application (Annex 1) and duly completed materials. After review and approval, SGEI will issue a special notice (Annex 2) to the Custodian Bank, who shall complete the procedure according to the instructions therein.

Chapter V Risk Management

Article 25 SGEI rigorously manages settlement risks by implementing such systems as margin requirements, price limits, position limits, trading limits, and the SGEI Risk Management Fund.

Article 26 SGEI enforces margin requirements. Margins are classified into Settlement Reserve and Trading Margin and used for settlement and contract performance guarantee.

Article 27 Subject to the approval of SGEI, an International Member and its International Customers may post marketable asset (each a **collateral**) in accordance with applicable rules in satisfaction of their margin requirements.

Article 28 Settlement Reserve refers to the cash funds and collateralization quota maintained by an International Member under the SGEI Settlement Account for settling future trades. It is the portion of cash funds and collateralization quota not yet used as margin for contracts.

"Collateralization quota" refers to the margin amount converted from collaterals posted by an International Member or International Customer based on the base price of the collateral and a haircut.

Collaterals include Inventories, Foreign Currencies, Bonds, and Other Collaterals recognized by SGEI. SGEI will formulate and publish the detailed rules for margin collateral service; the base prices and haircuts of collaterals shall be governed by the announcements of the Exchange or SGEI.

Article 29 SGEI shall set the minimum balance requirement for the Settlement Reserve of International Members by trading seat. The minimum Settlement Reserve balance for an International Member is RMB 500,000 per seat, subject to adjustment by SGEI based on market conditions as well as the scale of the International Member and the type of business it

plans to engage in at the Exchange. An International Member must use its own cash funds to meet the minimum Settlement Reserve and shall maintain it at the daily required level.

Article 30 SGEI shall accrue interest for each member in respect of the daily balance of its Settlement Reserve (excluding collateralization quota) and pay out such interest on March 21, June 21, September 21, and December 21 each year (postponed accordingly for public holidays) by crediting it into the International Member's Settlement Reserve.

SGEI shall charge overdraft interest on any funds it advances to an International Member to cover the latter's shortfall in Settlement Reserve and will deduct such interest from the International Member's Settlement Reserve on March 21, June 21, September 21, and December 21 each year (postponed accordingly for public holidays). In the event that an International Member's Settlement Reserve is insufficient to cover the overdraft interest, SGEI may accrue and charge compound interest on the overdraft interest outstanding on a quarterly basis at the rate of the penalty interest.

SGEI shall set, adjust, and publish the rates in effect for the types of interest above according to the rules of PBC and the Exchange.

Article 31 Trading Margin refers to the funds and collateralization quota maintained by an International Member under the SGEI Settlement Account to guarantee the performance of trades. It is the portion of funds and collateralization quota already used as margin for contracts. After a trade is entered into, SGEI shall collect from both the buyer and the seller a Trading Margin proportional to the value of contracts held or according to another method provided by SGEI.

Article 32 The minimum rate of Trading Margin required shall be provided by the contract specifications and announcements issued by the Exchange.

Article 33 The Trading Margin collected by an International Member from its customer shall be no less than that collected by SGEI from the International Member.

Article 34 SGEI maintains a risk management fund. SGEI Risk Management Fund is a reserve set up by SGEI to safeguard the normal operations of the market, provide financial guarantees, and cover the losses from unforeseeable risks.

Article 35 Other risk management systems are set out in the *Measures for the Administration of Risk Control of Shanghai Gold Exchange*.

Chapter VI Clearing and Settlement

Article 36 SGEI performs trades clearing and settlement using the "centralization, netting, and multi-tiered" model.

"Centralization" means the Exchange will provide centralized clearing and performance guarantee services to its members, and SGEI will provide centralized settlement services to International Members;

"Netting" means SGEI will consolidate an International Member's trading results at the Exchange to obtain the net transaction amount;

“Multi-tiered” approach means SGEI will clear trades for International Members, and each International Member will in turn clear for its customers.

Article 37 SGEI performs trades clearing and settlement for International Members by trading seats.

Article 38 SGEI will, in accordance with trading results, clear the delivery payments, margins, gains and losses, transaction fees, and other payables and receivables of International Members as well as the bullion deliverable and receivable by International Members and International Customers. In particular, on any given day SGEI will:

- (1) calculate the delivery payments and bullion payable and receivable for contracts to be physically delivered on that day;
- (2) calculate the current-day gains and losses on each spot contract traded on that day based on the difference between their execution price and settlement price, and calculate margin at the current-day settlement price based on the net trading quantity of the contract;
- (3) calculate, in accordance with mark-to-market rules, the Trading Margins, current-day gains and losses, Deferred Fees, and other relevant payments on each deferred contract and performance-guarantee price asking contract at the current-day settlement price or the base price designated by the Exchange;
- (4) calculate the current-day gains and losses on each benchmark price contract traded on the day by taking the Benchmark Price PM as its current-day settlement price, and calculate margin at the current-day settlement price based on the net trading quantity of the contract;
- (5) calculate the Differential Weight and corresponding cash amount payable or receivable on relevant contracts at the corresponding settlement price;
- (6) calculate transaction fees, Storage Fees, Transportation and Insurance Fees, and other fees and charges at the prescribed rates; and
- (7) clear other contracts in accordance with applicable rules of SGEI.

Article 39 The relevant formulas are as follows:

Current-day (CD) gains and losses (on each contract) = Σ [(sale price of the contract – CD settlement price) \times sell quantity] + Σ [(CD settlement price – purchase price of the contract) \times buy quantity] + (preceding-day (PD) settlement price – CD settlement price) \times (PD size of short positions – PD size of long positions).

(If there have been cash-settled price asking trades, the current-day gains and losses shall also include the cash difference.)

CD Settlement Reserve balance = PD Settlement Reserve balance + (PD Trading Margin – CD Trading Margin) + (CD delivery payments received – CD delivery payments paid) + (PD funds frozen – CD funds frozen) + (CD gains – CD losses) + (Settlement Account Deposits – Settlement Account Withdrawals) + interests received + (CD default penalty received – CD

default penalty paid) + (CD Deferred Fees received – CD Deferred Fees paid) – transaction fees and other related fees and charges.

CD usable balance = PD usable balance + (PD Trading Margin – CD Trading Margin) + (PD minimum Settlement Reserve balance – CD minimum Settlement Reserve balance) + (PD funds frozen – CD funds frozen) + (CD actual collateralization quota – PD actual collateralization quota) + (CD delivery payments received – CD delivery payments paid) + (CD gains – CD losses) + (Settlement Account Deposits – Settlement Account Withdrawals) + interests received + (CD default penalty received – CD default penalty paid) + (CD Deferred Fees received – CD Deferred Fees paid) – transaction fees and other related fees and charges.

Formula for the collateralization quota shall be set out in a separate document.

Article 40 Upon completion of clearing, SGEI will organize settlement based on the clearing results by debiting the funds payable and bullion deliverable by International Members and International Customers from their accounts and crediting the funds and bullion receivable to relevant accounts. International Members and International Customers shall ensure their funds account and Bullion Accounts have sufficient capital and bullion before settlement. Settlement results cannot be canceled once the process is completed.

Article 41 After day-end settlement is completed, the settlement results shall constitute a margin call to any International Member whose Settlement Reserve is below the minimum balance required by SGEI. The difference between the two shall be the amount of additional margin the International Member needs to deposit.

Any International Member receiving a margin call shall ensure that it will meet the minimum Settlement Reserve before market open on the following trading day, failing which SGEI shall take appropriate risk control actions.

Article 42 After day-end settlement is completed, International Members may timely obtain the settlement data and settlement statements from SGEI through the International Trading System. Each International Member shall reconcile the records and retain relevant data for a minimum of five years, but any record related to a trading dispute or an investigation by regulatory authorities or the Exchange shall be retained for a longer period, to until the dispute is resolved or the investigation is concluded.

The settlement data and settlement statements shall be deemed delivered to International Members as soon as they have been successfully sent out by SGEI through the International Trading System.

Article 43 In the event that SGEI cannot provide settlement data and settlement statements as scheduled due to special circumstances, SGEI will notify International Members of when these records will be made available.

Article 44 International Member who wishes to dispute the settlement data or settlement statements shall notify SGEI in writing 30 minutes before market opens on the next trading day at the latest; otherwise, the International Member shall be deemed to have accepted the accuracy of the settlement data and settlement statements.

Article 45 International Customer who wishes to dispute a trading result shall notify its carrying International Member, who shall verify the trading result and provide a definite answer to the International Customer within the timeframe specified in the brokerage agreement.

Chapter VII Administration of Settlement Account Deposits and Withdrawals

Article 46 SGEI shall process Settlement Account Deposits and Settlement Account Withdrawals for International Members and International Customers in a safe, accurate, and expedient manner.

Settlement Account Deposit refers to:

- (1) the act of transferring funds from an International Member's Proprietary Seat Settlement Account and Proprietary Capital Settlement Account to the SGEI Settlement Account; and
- (2) the act of transferring funds from an International Customer's designated bank account to the SGEI Settlement Account through the Brokerage Seat Settlement Account of the carrying International Member.

SGEI processes Settlement Account Deposits during the announced deposit hours. After the relevant Custodian Bank confirms that the funds transferred by an International Member or International Customer have been credited into the SGEI Settlement Account, SGEI will increase that International Member's Settlement Reserve in the corresponding subsidiary account accordingly.

Settlement Account Withdrawal refers to:

- (1) the act of transferring funds from the SGEI Settlement Account to an International Member's Proprietary Seat Settlement Account and Proprietary Capital Settlement Account; and
- (2) the act of transferring funds from the SGEI Settlement Account to an International Customer's designated bank account through the Brokerage Seat Settlement Account of the carrying International Member.

SGEI processes Settlement Account Withdrawals during the announced withdrawal hours, and will transfer the funds into the Settlement Account of the International Member according to the application of the International Member or International Customer.

Article 47 Settlement Account Withdrawals by International Members shall be compliant with the rules of SGEI. The amount that an International Member may transfer out through Settlement Account Withdrawal is as follows:

CD withdrawable funds balance = CD Settlement Reserve balance – CD minimum Settlement Reserve balance – CD delivery payments received – CD unutilized collateralization quota.

Payments including delivery payments received on the current day and current-day gains received during day-end settlement can be requested for Settlement Account Withdrawals during the withdrawal hours on the following trading day.

Article 48 SGEI shall be entitled to restrict Settlement Account Withdrawals by an International Member if:

- (1) the International Member is being investigated by the Exchange or SGEI;
- (2) the International Member is under active formal investigation by the judicial system or other competent authorities;
- (3) in the opinion of SGEI, the market is exposed to significant risks; or
- (4) there is any other condition for which such restriction is deemed necessary by SGEI.

Chapter VIII Default Resolutions

Article 49 SGEI shall be entitled to recognize an International Member as having committed a default in circumstances including but not limited to:

- (1) failure of physical delivery due to failure by the International Member or its International Customer to prepare sufficient funds or collateralization quota in its margin account or sufficient bullion in its Bullion Accounts; or
- (2) the Settlement Reserve of the International Member falls below the required minimum and the shortfall is not eliminated within the specified time limit.

Article 50 An International Member shall be liable for any default of proprietary trades and be the first party to assume all liabilities for any default of brokerage trades.

Article 51 Each International Customer shall take full responsibility for the trades it executes through its carrying International Member and shall have the right to report to SGEI any issue in the brokerage services offered by the International Member.

Article 52 In the event of a physical delivery default involving an International Member, SGEI shall pay compensation to the International Member if it is the non-defaulting party, and collect default penalty from the International Member if it is the defaulting party, and then terminate the delivery process. SGEI will settle the default penalties with the Exchange through transfer of difference or net payment.

Compensation = amount of funds or value of bullion in default × settlement price × default penalty rate;

Default penalty = amount of funds or value of bullion in default × settlement price × default penalty rate;

Where settlement price in the case of spot contracts and benchmark price contracts shall be the settlement price on the trade date and in the case of deferred contracts shall be the settlement price on the date of delivery.

Article 53 The foregoing provisions on default resolution are not applicable to bilateral-credit price asking trades. If default occurs in such a trade, the trading parties shall seek a solution themselves by the rules of the Exchange.

Article 54 Where an International Member has insufficient Settlement Reserve and is not able to eliminate the shortfall within the period prescribed by SGEI, SGEI shall have the power to:

- (1) suspend the International Member from opening new positions;
- (2) force-liquidate the International Member's positions by rules and apply the margins so released toward contract performance and compensation;
- (3) dispose in accordance with applicable rules or prior arrangements of the International Member's collaterals, inventories, and other assets posted as margin at SGEI, and apply the proceeds toward contract performance and compensation;
- (4) legally dispose of the International Member's physical inventory and apply the proceeds toward contract performance and compensation;
- (5) draw on other funds of the International Member such as its Membership Fee and payment from membership transfer to fulfill contract obligations and make compensations;
- (6) draw on the SGEI Risk Management Fund by rules;
- (7) draw on the account of SGEI by rules; and/or
- (8) take other actions within the power of SGEI.

Upon drawing on the SGEI Risk Management Fund or its own account, SGEI shall obtain the corresponding right of recourse or the right of claim against the International Member.

Chapter IX Ancillary Provisions

Article 55 The time for the businesses covered by this *Measures* is a general principle and subject to change by SGEI in view of the particular circumstances.

Article 56 This *Measures* is written in Chinese. In case of any inconsistency between its different language versions or different editions, the latest Chinese version shall prevail.

Article 57 All matters under this *Measures* concerning the business activities conducted by a market participant on or through the Exchange shall be governed by the laws of China.

Article 58 SGEI shall reserve the right to interpret this *Measures*.

Article 59 This *Measures* shall take effect as of the date of its release.

Annexes:

1. Application for Change to International Member Settlement Account
2. SGEI Notice on Change or Closure of International Member Settlement Account

Application for Change to International Member Settlement Account

| | | | |
|--|--|---|--|
| Member Name | | | |
| Member Type | <input type="checkbox"/> Type A <input type="checkbox"/> Type B <input type="checkbox"/> Others | Seat Code | |
| Certificate Type | <input type="checkbox"/> Organization Code <input type="checkbox"/> Special Organization Code | Organization Code | |
| Change | | | |
| <input type="checkbox"/> Account Name Change | | | |
| Old | | New | |
| <input type="checkbox"/> Account Number Change (Proprietary Capital) | | | |
| Old Custodian Bank | | New Custodian Bank | |
| Old Account No. | | New Account No. | |
| <input type="checkbox"/> Account Number Change (Proprietary Seat) | | | |
| Old Custodian Bank | | New Custodian Bank | |
| Old Account No. | | New Account No. | |
| <input type="checkbox"/> Account Number Change (Brokerage Seat) | | | |
| Old Custodian Bank | | New Custodian Bank | |
| Old Account No. | | New Account No. | |
| Reason for Change: | | | |
| Applicant Seal or Signature: | | | |
| Date: | | | |
| SGEI Review | | | |
| Processed by: Comment by Head of Market Development Department: | | Processed by: Comment by Head of Operations Department: Result: | |

Shanghai International Gold Exchange

Notice on Change or Closure of International Member Settlement Account

_____ (bank name),

This notice serves to inform you that the SGEI International Member named below:

Chinese name: _____

English name: _____

Seat code: _____

Account number: _____

hereby applies for (please put a slash above the line of each non-applicable option):

(1) changing account name to _____.

(2) changing account number to _____.

(3) closing the account with account number _____.

Shanghai International Gold Exchange

Date: