

**Measures for the Administration of Market Activities at Shanghai
International Gold Exchange Co., Ltd.**

(Amended)

Contents

Chapter I	General Provisions
Chapter II	Member and Customer Administration
Chapter III	Trading System Access
Chapter IV	Settlement
Chapter V	Delivery
Chapter VI	Risk Control
Chapter VII	Ancillary Provisions

Chapter I General Provisions

Article 1 This *Measures for the Administration of Market Activities at Shanghai International Gold Exchange Co., Ltd.* (this *Measures*), formulated in accordance with the *Articles of Association of Shanghai Gold Exchange, Trading Rules of Shanghai Gold Exchange, Detailed Delivery Rules of Shanghai Gold Exchange, Detailed Settlement Rules of Shanghai Gold Exchange, Measures for the Administration of Risk Control of Shanghai Gold Exchange, Articles of Association of Shanghai International Gold Exchange Co., Ltd.*, and other applicable rules, is designed to regulate the trading activities of international investors and protect their lawful rights and interests.

Article 2 Shanghai International Gold Exchange Co., Ltd. (**SGEI**), as a wholly-owned subsidiary of the Shanghai Gold Exchange (the **Exchange** or **SGE**), is authorized and delegated by the Exchange to centrally administer the International Members of the Exchange (**International Members**) and provide services to International Members and International Customers.

Article 3 Any International Member or International Customer who engages in market activities at the Exchange shall comply with applicable laws, regulations, and ministry-level rules of China as well as the articles of association, rules, and measures of both the Exchange and SGEI.

Chapter II Member and Customer Administration

Article 4 An “International Member” is a legal entity, or a business entity of other forms, who is established outside the mainland of the People’s Republic of China (**China**); in Hong Kong, Macau, or Taiwan; in the China (Shanghai) Pilot Free-Trade Zone; or in any region otherwise recognized by the Exchange, and is approved by the Exchange to trade precious metals on or through the Exchange in accordance with the laws and regulations of China and the *Articles of Association* of the Exchange.

Article 5 An applicant for international membership must meet the criteria set out by the Exchange and submits application materials to the Exchange as required for review and approval.

Article 6 “International Customers” refers to investors who trade on or through the Exchange through an International Member certified to provide brokerage services. International Members shall perform anti-money laundering (**AML**) and counter-terrorist financing (**CTF**) obligations in accordance with the AML rules of the People’s Bank of China.

Article 7 An International Customer must open account at and register with an International Member certified to provide brokerage services. An International Member shall, under the principles of *Know Your Customer, Know Your Business, and Due Diligence Review*, strictly perform AML, CTF, and anti-tax evasion (**ATE**) responsibilities and obligations by conducting the necessary review of the eligibility of its International Customers and file their account opening materials with the Exchange for record. Such materials must comply with the relevant provisions of the Exchange.

Article 8 When processing a customer's account opening application, the International Member shall fully disclose trading risks to the customer and enter into a brokerage contract therewith. The International Member shall strengthen its management and guidance of customers to ensure AML, CTF, and ATE responsibilities and obligations are duly performed.

Chapter III Trading System Access

Article 9 Unless otherwise approved by SGEI in writing, when engaging in proprietary or brokerage business on or through the Exchange, International Members must connect to the Exchange's system via SGEI, who will provide them with the necessary system interfaces.

SGEI assigns differentiated trading privileges to International Members and International Customers according to the contract in question. Such trading privileges shall be governed by the announcement of the Exchange and SGEI. An International Member may apply to SGEI to adjust its or its customer's trading privileges in a particular contract; the adjustment shall take effect upon approval by SGEI.

Article 10 SGEI has the right to impose a higher and differentiated margin requirement on International Members for each contract based on their credit standing than the margin rate published by the Exchange.

Article 11 SGEI will review and validate each trade order submitted by an International Member to check, among other things, whether the capital, inventory, and position holding of the International Member as well as other aspects of the order comply with the rules of the Exchange and SGEI.

Article 12 SGEI shall promptly and accurately process valid orders placed by International Members in the order they are received, and send order responses and execution results to each International Member in a timely fashion.

Article 13 The final execution results shall be governed by the settlement results maintained by SGEI. Each International Member shall perform the obligations arising from the execution results and bear the corresponding responsibilities.

Article 14 Any International Member who wishes to dispute an order response or execution result shall submit the dispute to SGEI by email, fax, or another written form before market open on the following trading day.

Article 15 SGEI shall keep confidential the information of each International Member and its customers with regard to, among other things, capital, trades, position holding, and inventory, unless the disclosure of which is otherwise required by laws or regulations or by the judicial system or competent administrative authorities.

Chapter IV Settlement

Article 16 Under the authorization of the Exchange, SGEI separately manages the funds of International Members and of their customers and strictly limit their scope of use. Such funds shall only be used for trades and settlement on or through the Exchange, and settlement shall be performed by SGEI based on the settlement results of relevant transactions in accordance with the laws and regulations of the People's Republic of China.

Article 17 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 18 SGEI performs trades clearing and settlement for International Members by trading seats.

Article 19 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 20 Funds transfers between SGEI and an International Member must be processed through a Settlement Account opened at a Margin Custodian Bank certified by SGEI.

Article 21 An International Member must, according to the nature of business it engages in, open a Proprietary Seat Settlement Account, Brokerage Seat Settlement Account, and/or Proprietary Capital Settlement Account at a Margin Custodian Bank for funds settlement.

Article 22 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 23 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 24 Any and all contracts entered into by an International Member or its customer through the Exchange's system must be centrally settled by SGEI. SGEI will settle the proprietary trades of an International Member separately from its brokerage trades.

Article 25 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 26 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 27 SGEI has formulated the *Measures for the Administration of Settlement of Shanghai International Gold Exchange Co., Ltd.* in accordance with the foregoing settlement rules.

Chapter V Delivery

Article 28 The Exchange has established a network of International Board Certified Vaults (the **IB Certified Vaults**) to provide bullion storage, load-in and load-out, and other

services to International Members and International Customers. IB Certified Vaults shall be under the supervision of the customs of China.

Article 29 The correspondence between price matching contracts, benchmark price contracts, and price asking contracts and their deliverable bullion is set out in the *SGE Contracts and Associated Deliverable Bullion*. “Main Board bullion” refers to bullion deliverable against Main Board contracts; “International Board bullion” refers to bullion deliverable against International Board contracts.

Article 30 International Members and International Customers shall be authorized by the Exchange before being qualified to load-in. Authorized International Members and their customers may deposit International Board bullion into IB Certified Vaults and, subject to the prescribed quota, may deposit Main Board bullion into IB Certified Vaults. No International Member or its customer is permitted to deposit bullion into Main Board Certified Vaults.

International Members and their customers are permitted to withdraw International Board bullion from IB Certified Vaults, but are *not* permitted to withdraw bullion from Main Board Certified Vaults.

Article 31 No International Member or its customer may participate in physical delivery of platinum and silver.

Chapter VI Risk Control

Article 32 SGEI shall, in accordance with the *Measures for the Administration of Risk Control of Shanghai Gold Exchange* and this *Measures*, assist the Exchange in managing risks in respect of International Members and their customers.

Article 33 SGEI shall implement the risk management measures of the Exchange according to the same rules and standards as enforced by the Exchange.

Article 34 After day-end settlement is completed, the settlement results shall constitute a margin call to any International Member whose cash 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.

Article 35 Any International Member in the circumstance under Article 34 of this *Measures* shall deposit additional cash funds to bring its Settlement Reserve back to the minimum requirement before market open on the following trading day; failing which, SGEI shall be entitled to impose restrictions on the International Member, such as restricting it from opening a position in deferred contracts or purchasing physical contracts, if the cash Settlement Reserve is no less than zero, and to force-liquidate the positions of the International Member in accordance with the *Measures for the Administration of Risk Control of Shanghai Gold Exchange* if the cash Settlement Reserve is less than zero. SGEI shall fulfill notification obligations before implementing the forced liquidation.

Article 36 When SGEI force-liquidates the positions of an International Member in accordance with applicable rules, the expenses and losses resulting therefrom, including additional losses from failure to implement liquidation due to market factors, shall be borne

by the International Member. The International Member shall not hold SGEI responsible for losses incurred by SGEI not implementing forced liquidation at the best available price and quantity.

Article 37 After force-liquidating an International Member's positions, SGEI shall promptly notify the International Member of the relevant details. The results of forced liquidation shall be transmitted to the International Member along with the settlement data.

Article 38 Where the Exchange restricts Settlement Account Withdrawals by members in response to significant market risks, SGEI has the right to restrict Settlement Account Withdrawals by International Members as required by the Exchange.

Article 39 Any International Member or its customer who reaches the large position reporting threshold prescribed by the Exchange shall submit relevant reports to the Exchange via SGEI.

Article 40 SGEI shall enforce risk warning rules with respect to International Members and their customers as required by the Exchange.

Article 41 In addition to the irregular trading activities specified by the Exchange, any of the following circumstances in the trading of an International Member or its customer will be deemed as an irregular trading activity by SGEI:

- (1) entering into a large number of related-party transactions with any associated member or customer which may influence the trading price or mislead other customers to enter into any transaction;
- (2) leveraging its strength in capital or inventory to monopolize market resources, manipulate market prices, or disrupt market order;
- (3) under the pretense of dealing in precious metals, engaging in illegal cross-border transfer of bullion or funds in violation of state import and export controls or the administrative rules for cross-border RMB transaction or foreign exchange;
- (4) using the trading platform of the Exchange to engage in such illegal activities as money laundering, terrorist financing, and tax evasion; or
- (5) engaging in any other activity so identified by the Exchange or SGEI.

Article 42 International Members and their customers shall voluntarily regulate their trading activities and trade in compliance with the laws, regulations, and ministry-level rules of China as well as the market rules of the Exchange and SGEI. SGEI shall monitor the trading activities of International Members and their customers, and shall have the power to impose appropriate regulatory measures on any International Member or International Customer involved in trading irregularities.

Article 43 Each International Member shall duly fulfill its supervisory duties in respect of the transactions of its customers and closely monitor their trading activities, and shall not condone, induce, instigate, or abet its customers to engage in irregular trading. Any International Member who detects irregular trading activity from a customer during the course

of trading shall alert, dissuade, and stop the customer, and promptly report the situation to SGEI or the Exchange. If such dissuasion or stopping action is ineffective, the International Member may take such actions as raising the Trading Margin requirement, restricting the opening of positions, implementing forced liquidation, restricting transaction amount, restricting Settlement Account Deposits and Settlement Account Withdrawals, rejecting the customer's instructions, and terminating the brokerage relationship.

Article 44 Where an International Member or International Customer has engaged in an irregular trading activity, the Exchange and SGEI may take such actions as issuing an alert by phone, requiring a report or written commitment, placing it on the regulatory watch list, holding a regulatory meeting, restricting the opening of positions, requiring the closing out of positions by a specified time limit, and force-liquidating its positions. If the circumstance is serious, the Exchange and SGEI may take such regulatory measures as issuing a public censure, suspending trading privileges, and revoking membership in accordance with the *Measures for the Administration of Risk Control of Shanghai Gold Exchange* and the *Enforcement Rules of Shanghai Gold Exchange*. If the activity is suspected to have violated the laws, regulations, or ministry-level rules of China and constitute a crime, the case shall be referred to the judicial system for formal investigation.

Chapter VII Ancillary Provisions

Article 45 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 46 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 47 The Exchange shall reserve the right to interpret this *Measures*.

Article 48 This *Measures* shall take effect as of the date of its release.