

Measures for the Administration of Market Makers of the Shanghai Gold Exchange

Chapter I General Provisions

Article 1 This *Measures for the Administration of Market Makers of the Shanghai Gold Exchange* (this *Measures*), formulated in accordance with the *Trading Rules of the Shanghai Gold Exchange*, is designed to regulate the administration of market makers of the Shanghai Gold Exchange (the **Exchange** or **SGE**), facilitate the performance of the market's functions, and maintain relevant market liquidity needs.

Article 2 In this *Measures*, the term "market maker" refers to an institution recognized by the Exchange to provide executable bid and/or ask quotes and other services in the market for specified trading modes and contracts.

Article 3 In this *Measures*, the trading modes include, among others, price matching trading, price asking trading, and quote driven trading.

Article 4 This *Measures* shall apply to market making and related activities of market makers of the Exchange, and shall be observed by the Exchange, market makers, members, and participants.

Chapter II Market Maker Status

Article 5 The Exchange may introduce market makers for specified trading modes and contracts, and announce them to the market.

Article 6 To apply for the status of a market maker, an applicant shall:

- (i) have no less than RMB 50 million or its foreign currency equivalent in net assets;
- (ii) be ranked among the top ones in the Exchange or other similar open markets in terms of trading capability;
- (iii) have any specialized agency and personnel responsible for market making, and market making personnel familiar with applicable laws and regulations as well as the market rules of the Exchange;
- (iv) have a sound implementation plan for market making, and well-developed internal

control and risk management rules;

(v) have a trading system and other infrastructure with market making function; and ensure that it is sufficiently able to continuously make a market and tolerate risks;

(vi) have a strong capability to research and analyze the precious metal market;

(vii) have a record of no material violation of laws and regulations within the most recent three years; and

(viii) meet other requirements as prescribed by the Exchange.

Article 7 To apply for the status of a market maker, an applicant shall submit to the Exchange:

(i) an SGE Application Form for Market Maker Status (see Schedule 1);

(ii) a copy of its business license (affixed with its common seal);

(iii) internal management system, operating procedures, and risk control and management rules for the market making business;

(iv) a statement on its market making department (including, but not limited to, professional history of relevant personnel, setup of their positions, and allocation of their duties);

(v) a statement on its electronic market making system;

(vi) a report on trades executed on the Exchange or similar markets during the year immediately prior to the time of its application;

(vii) a statement that it has a record of no material violation of laws and regulations within the most recent three years;

(viii) a copy of its audited latest financial report (affixed with its common seal); and

(ix) other materials as required by the Exchange.

Article 8 If any agreement is required to be concluded upon the Exchange's approval of its application, an applicant shall, within ten trading days of receipt of the Exchange's notice of such approval, enter into a market maker agreement (the **Agreement**) for relevant trading modes and contracts with the Exchange to obtain the status as a market maker in such trading

modes and contracts.

Article 9 The Exchange may revoke a market maker's status in a contract if the market maker:

- (i) fails to perform its market making obligations under the Agreement;
- (ii) no longer satisfies the requirements for market maker status prescribed in Article 6 hereof; or
- (iii) is involved in any other circumstances recognized by the Exchange or provided under the Agreement.

Article 10 The Exchange may revoke a market maker's status in all trading modes and contracts if the market maker:

- (i) commits a material violation of laws and regulations;
- (ii) is identified as being barred from the market;
- (iii) is legally acquired, merged, deregistered, or dissolved or declared bankrupt;
- (iv) provides any false materials to the Exchange; or
- (v) is involved in any other circumstances recognized by the Exchange or provided under the Agreement.

Article 11 A market maker who intends to forfeit its market maker status shall submit to Exchange an application to that effect two month in advance.

Article 12 If a market maker's status is forfeited or revoked, the Agreement it has entered into with the Exchange shall be automatically terminated on the day the Exchange notifies it of the termination of its status.

Chapter III Market Making

Article 13 By trading mode, market makers of the Exchange are mainly classified into:

- (i) price matching market makers, who are institutions that provide bid and ask quotes for contracts in the price matching market to enhance trading liquidity;

(ii) price asking market makers, who are institutions that provide two-way executable bid and ask quotes in the price asking market; and

(iii) quote driven market makers, who are institutions that provide continuous two-way quotes for contracts in the quote driven market during the trading hours.

Article 14 A quote driven market maker shall provide quotes through a dedicated trading seat.

Article 15 Each quote for contracts in the price matching market and quote driven market shall specify the contract code, bid price, ask price, and executable quantity for both.

Article 16 A market maker is released from its two-way quoting obligation if:

- (i) the contract for which it is to provide quotes hits the price limit; or
- (ii) there are any other circumstances recognized by the Exchange.

The market maker shall resume the provision of two-way quotes once any of the foregoing circumstances ceases to exist.

Chapter IV Rights and Obligations

Article 17 A market maker is entitled to one or more of the following rights:

- (i) The right to reduced transaction fees;
- (ii) The right to submit and cancel intraday orders and large-amount orders without limitation;
- (iii) The right to receive cooperation in products and support in innovation; and
- (iv) Other rights recognized by the Exchange or provided under the Agreement.

Article 18 A market maker shall perform one or more of the following obligations:

- (i) The obligation to provide continuous quotes to ensure there are bids and asks and liquidity in the market;
- (ii) The obligation to respond to quotes;

- (iii) The obligation to satisfy the requirements for quantity of individual quotes;
- (iv) the obligation to satisfy the requirements for duration of continuous quotes; and
- (v) Other obligations recognized by the Exchange or provided under the Agreement.

Article 19 If a market maker who is unable to perform its market making obligations due to abnormal circumstances or intends to early terminate the Agreement, it shall submit to the Exchange a written application to that effect two months in advance and explain the reasons therefor.

Article 20 If a market maker early terminates the Agreement, the Exchange will revoke its market maker status, and refuse to accept its application for market maker status within three years thereafter.

Chapter V Supervision and Administration

Article 21 No market maker shall engage in insider trading, market manipulation, fraud, or other acts in violation of laws and regulations, or seek other illegitimate gains.

Article 22 The Exchange may evaluate and rank the market making performance of market makers and make adjustment to them, by trading mode and contract, and publish the evaluation, ranking and adjustment results. The Exchange will periodically assess the market making performance of a market maker in accordance with the Agreement.

Article 23 If a market maker fails to perform its market making obligations in accordance with the rules of the Exchange and the Agreement, the Exchange may take the following measures against it:

- (i) Giving an oral reminder;
- (ii) Issuing a written notice to require rectification within a specified time limit;
- (iii) Terminating the Agreement and revoking the market maker status; or
- (iv) Other measure recognized by the Exchange.

Article 24 The Exchange may revoke the status of a market maker whose trading behaviors violate applicable rules, based on information thereon acquired by the Exchange, and impose sanctions on such market maker pursuant to the Exchange's relevant rules.

Article 25 A market maker shall establish a sound IT management system and emergency response mechanism; timely update the Exchange on the changes to its electronic market making system, including development, testing, connection, and upgrade; participate in relevant tests as required by the Exchange.

Article 26 Each market maker shall, as required by the Exchange, submit a periodic or non-periodic report on the operation of market and its market making performance.

Article 27 The Exchange may supervise and inspect market makers with respect to their risk management activities, trading behaviors, system operations, business operations, credit standing, changes in materials matters, etc. Market makers shall assist and cooperate with the Exchange in such supervision and inspection.

Chapter VI Ancillary Provisions

Article 28 Any matters not covered herein shall be governed by applicable rules of the Exchange.

Article 29 Inter-bank gold price asking market makers shall be subject to the *Measures for the Administration of Inter-Bank Gold Price Asking Market Makers*.

Article 30 The Exchange may formulate detailed rules for each trading mode based on its own characteristics.

Article 31 The Exchange reserves the right to interpret this *Measures*.

Article 32 This *Measures* shall take effect as of the date of its release.

SGE Application Form for Market Maker Status

Date of Completion:

Full name of applicant				
Registered address				
Correspondence address				
Registered capital				
Size of net assets				
Trading mode			Market making product	
Market making contract				
Type of application		Initial <input type="checkbox"/>	Renew <input type="checkbox"/>	Suspend <input type="checkbox"/>
Market making term		Long-term <input type="checkbox"/>	Prescribed term:	
Person-in-charge of market making business	Name		Position	
	Telephone		Mobile phone	
	E-mail		City	
Contact person for market making business	Name		Position	
	Telephone		Mobile phone	
	E-mail		City	
Record of no material violation of laws and regulations within the most recent three years				
Other information required to be provided		(Attach additional pages if necessary)		
Statement of applicant		<p>We hereby apply to become a market maker in XX product (contract) in the SGE's price matching market, undertake to comply with national laws and regulations, SGE's relevant market rules and normative business documents, and the market maker agreement enter into with SGE, and duly fulfill our market making obligations for the product we apply for.</p>		
Seal of applicant		<p>(Seal):</p> <p>Date:</p>		