

# **Detailed Rules for Price Asking Trading of Shanghai Gold Exchange**

**(Amended)**

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## Chapter I General Provisions

**Article 1** This *Detailed Rules for Price Asking Trading of Shanghai Gold Exchange* (this *Detailed Rules*), formulated in accordance with national laws, regulations and ministry-level rules, as well as *the Articles of Association of Shanghai Gold Exchange* and the *Trading Rules of Shanghai Gold Exchange*, is designed to strengthen the administration of the price asking market, regulate price asking trading activities, and protect the lawful rights and interests of market participants.

**Article 2** Price asking transactions on or through the Shanghai Gold Exchange (the **Exchange** or **SGE**) refer to trades concluded through a price asking platform designated by the Exchange, as well as price asking trades otherwise executed by the trading parties and registered with the Exchange and the follow-up settlement and delivery completed on or through the Exchange.

**Article 3** The two types of price asking transactions are bilateral-credit price asking transactions, which are backed by the credit standing of the trading parties, and performance-guarantee price asking transactions, which are subject to margin requirements and daily mark-to-market.

**Article 4** Price asking platforms designated by the Exchange include the price asking platform of the Exchange, the platform of China Foreign Exchange Trade System, and other platforms certified by the Exchange.

**Article 5** This *Detailed Rules* are applicable for bilateral-credit price asking transactions.

## Chapter II Products and Contracts

**Article 6** Products listed on the Exchange for price asking transactions include gold (Au), silver (Ag), and such other products as approved by the People's Bank of China (**PBC**).

**Article 7** Price asking contracts listed on the Exchange can be classified by trading type into spot, forward, swap contracts; options contracts; and lending contracts, etc.

**Article 8** Price asking contracts listed on the Exchange can be classified by delivery location into Main Board price asking contracts and International Board price asking contracts.

**Article 9** Specifications of a price asking contract mainly include: contract code, trading product, trading unit, quotation unit, minimum price fluctuation, maximum order size, minimum order size, trading hours, settlement method, deliverable bullion, and transaction fee. Specifications of each price asking contract are detailed under and shall be governed by the corresponding *Supplementary Provisions*.

### Chapter III Market Participants

**Article 10** Members may participate in price asking transactions of the Exchange directly; customers must do so through their carrying members.

**Article 11** In addition to complying with this *Detailed Rules*, International Members and International Customers shall also abide by the relevant rules of the Shanghai International Gold Exchange Co., Ltd. (SGEI) when participating in price asking transactions.

**Article 12** The price asking market is for institutional investors. Any corporate customer intending to participate in the price asking transactions of the Exchange shall do so through its carrying member.

**Article 13** Upon receiving a customer's application for engaging in price asking transaction, the carrying member shall first enter into a brokerage agreement with the customer. The agreement shall set out their respective rights and obligations, covering, at a minimum, the customer's authorization for the member to engage in price asking trades, registration, confirmation, Modification, Execution, and settlement and delivery on behalf of the customer.

**Article 14** Each member shall account for its proprietary price asking transactions separately from its brokerage price asking transactions. It shall conduct proprietary transactions through its proprietary seat and brokerage transactions through its brokerage seat.

**Article 15** Each member shall be liable for performing the obligations under proprietary price asking transactions; each customer shall be liable for performing the obligations under price asking transactions entered into on its behalf.

**Article 16** Access to price asking trading requires prior approval of the Exchange. Any member who intends to engage in price asking trading shall first apply to the Exchange. Relevant qualifications and procedures shall be controlled by the *Supplementary Provisions* for each price asking contract formulated under this *Detailed Rules*.

**Article 17** Each member engaging in price asking transactions shall have the necessary traders and seat users, and shall grant relevant authorizations for price asking transactions to such traders and seat users through the system designated by the Exchange and according to the rules of the Exchange. Any operation performed by such traders and seat users in the system within the scope of their authorization shall be deemed as an action taken by the corresponding member and having legal effect.

**Article 18** A price asking market maker (a **market maker**) refers to an institution duly approved to provide the price asking market with a continuous stream of executable bids and asks in accordance with relevant rules.

**Article 19** The Exchange assesses market makers periodically and determines their ongoing suitability based on the assessment results. Each market maker shall remain highly active as required by the Exchange to enhance market liquidity and improve the price

discovery mechanism. The Exchange shall formulate specific measures applicable to market makers in a separate document.

**Article 20** A price asking brokerage company (a **broker**) refers to an intermediary that is recognized by the Exchange and that, through electronic technologies or other means, helps market participants conclude price asking trades in exchange for commissions.

**Article 21** The Exchange adopts a filing regime to administer brokers. Each member may link, through the system designated by the Exchange, its brokerage seat and customers to a broker filed with the Exchange to authorize the broker to provide brokerage services. Each broker shall provide such intermediary services as order matching and trade registration within the scope of authorization granted by members and customers. The Exchange shall formulate specific measures applicable to brokers in a separate document.

#### **Chapter IV Trading**

**Article 22** Members and customers may trade price asking contracts through the price asking platforms designated by the Exchange, or do so through another platform and then register the trades with the Exchange. The former is referred to as online price asking trades; the latter, offline price asking trades.

**Article 23** Online price asking trades can be concluded Monday to Friday, excluding market holidays announced by the Exchange, during the hours designated in the *Hours for SGE Price Asking Transactions* (see end Schedule), subject to the specifications of the individual price asking contract. Following an announcement to the effect, the Exchange may adjust the trading schedule as warranted by market development needs.

**Article 24** Terms of an online price asking trade include contract code, quantity, tenor, price, trading direction, counterparty, etc. The relevant details shall be controlled by the *Supplementary Provisions* for each price asking contract formulated under this *Detailed Rules*.

**Article 25** Online price asking trades support two types of quotes: public quotes and targeted quotes.

**Article 26** Public quote refers to an ask, a bid, or both offered by a qualified market participant to the market to invite price inquiries by potential counterparties. A public quote shall be a valid, executable price. False quotes and manipulation of market prices through illegal or illegitimate means are prohibited.

**Article 27** Any market participant qualified as a market maker may issue public quotes, through the system designated by the Exchange, in respect of the price asking contracts open for market making. After applying to the Exchange in writing and obtaining its approval, other market participants may issue public quotes through the system for specified price asking contracts.

**Article 28** Targeted quote refers to a price inquiry made by any market participant qualified for price asking transactions to a specific counterparty. A “competitive quote” is a targeted quote that is simultaneously offered to multiple counterparties. A targeted quote can be made in one of two ways: open price at given volume or open volume at given price.

**Article 29** Online price asking trade mainly comprises the following steps:

- (1) The originator sends out a trading request and waits for the counterparty to response;
- (2) After receiving the trading request, the counterparty will consider the terms and enter them into the system to send them to the originator. The order is executed once the originator indicates acceptance of the terms. If the parties do not conclude the trade within the effective period, the price asking process will automatically terminate.

**Article 30** The electronic record generated by the system designated by the Exchange after the conclusion of an online price asking trade is equivalent to an executed contract; it shall be binding upon the trading parties and cannot be altered or terminated by either of them without permission.

## **Chapter V Registration**

**Article 31** Registration, in respect of an offline price asking trade, refers to the submission of all its trading terms to the Exchange by the trading parties after entering into said trade.

**Article 32** Registration can take place Monday to Friday, excluding market holidays announced by the Exchange, between the start time of contract trading and the end time of trade registration under the *Hours for SGE Price Asking Transactions* (see end Schedule), subject to the specifications of the individual price asking contract. Following an announcement to the effect, the Exchange may adjust the time of registration as warranted by market development needs.

**Article 33** The party registering a price asking trade is referred to as the registrant. The registrant shall be one of the trading parties or a broker they both authorize.

**Article 34** Terms to be registered mainly include contract code, quantity, tenor, price, trading direction, information on both trading parties, and registrant’s information (if applicable). The specifics shall be controlled by the rules on the trading terms set out by the trading rules of individual price asking contract.

**Article 35** Registration shall be filed in accordance with the following steps:

- (1) The registrant shall submit to the Exchange all the terms required for registering the price asking trade;
- (2) The Exchange will review the terms for validity and completeness before accepting the registration.

**Article 36** Registration shall be filed by the registrant agreed upon by the trading parties. Any separate or duplicate filing will be treated as for a different price asking trade.

## **Chapter VI Confirmation**

**Article 37** In the context of price asking trading, confirmation refers to the confirmation of an online price asking trade following trade execution or of an offline price asking trade following registration by the relevant parties. Confirmation consists of three phases: customer confirmation, member confirmation and SGE confirmation.

(1) Customer confirmation means the act of the customer to confirm the terms of an executed price asking trade. Customer confirmation can be performed by the carrying member under the authorization of the customer.

(2) Member confirmation comes after customer confirmation and means the act of the member to confirm that it will perform trade settlement and delivery on behalf of the customer.

(3) SGE confirmation comes after the foregoing two confirmations from each of the two trading sides and means the act of the Exchange to confirm that it will provide settlement and delivery services for the trade.

**Article 38** The following rules shall apply to customer confirmation:

(1) where an online price asking trade or an offline price asking trade registered by the current party is a proprietary trade of the current party, then customer confirmation is not required.

(2) where an online price asking trade or an offline price asking trade registered by the current party is a brokerage trade of the current party, then customer confirmation from the current party is required.

(3) where an offline price asking trade is registered by the counterparty or its broker, then customer confirmation from the current party is required.

**Article 39** The following rule shall apply to member confirmation: all price asking trades shall be confirmed by relevant members.

**Article 40** Modes of confirmation.

Price asking trades can be confirmed either manually or automatically on the Exchange.

(1) In manual confirmation, customer confirmation and member confirmation will be made individually for each trade by the relevant parties.

(2) In automated confirmation, all trades will be confirmed automatically in real-time and no further confirmation is required from any relevant party.

Automated confirmation is the default setting for the foregoing steps where customer confirmation and member confirmation are needed. Relevant parties in view of their needs may switch to the manual confirmation mode for the customer confirmation step, the member confirmation step, or both.

**Article 41** Confirmation shall be completed between the start time of contract trading and the end time of trade registration under the *Hours for SGE Price Asking Transactions* (see end Schedule) on the same day the online price asking trade is concluded or the offline price asking trade is registered. Trades to be settled and delivered on the current trading day and trades with interests to be paid or options to be exercised on the following trading day shall be confirmed before day-end clearing on the current day, while other trades shall be confirmed by the confirmation deadline on the current day. Following an announcement to the effect, the Exchange may adjust the time of confirmation as warranted by market development needs.

**Article 42** The electronic record generated by the system designated by the Exchange following trade confirmation shall serve as a basis for the rights and obligations of the trading parties during settlement and delivery and for the provision of settlement and delivery services by the Exchange.

**Article 43** Unless otherwise agreed upon by the trading parties, neither the success nor the failure of confirmation, which takes place after trade execution, will affect the legal effect of the corresponding price ask trade.

**Article 44** Where any price asking platform designated by the Exchange has other provisions on trade confirmation, such specific provisions shall prevail with respect to trades entered into through that platform.

## **Chapter VII Modification and Execution**

**Article 45** In the context of price asking trading, Modification refers to making adjustment to a confirmed price asking trade, including but not limited to changing dates and canceling the trade.

**Article 46** In the context of price asking trading, Execution refers to the decision of one or both trading parties to exercise certain rights or perform certain obligations under the price asking trade, including but not limited to exercising an option, reporting a default, and applying for re-settlement.

**Article 47** To Modify or Execute a price asking trade, either one or both trading parties shall be required to submit an application (through relevant members) to the Exchange, who will then perform the Modification or Executed action accordingly. For risk management considerations, major Modifications and Executions shall be subject to the manual review and approval by SGE staff.

**Article 48** By the way they are initiated, Modification and Execution applications can be classified into unilateral applications and bilateral applications. Unilateral application for Modification and Execution shall be initiated by the compliant party; bilateral application for

Modification and Execution shall be initiated by both trading parties after consultation or be initiated by one party and confirmed by the other party.

**Article 49** In view of the characteristics of each price asking contract, the Exchange may formulate and adjust the classifications, procedures, and requirements for various Modification and Execution applications. The relevant details shall be controlled by the *Supplementary Provisions* for each price asking contract.

## **Chapter VIII Clearing, Settlement and Delivery**

**Article 50** At the application of the parties to a price asking trade, the Exchange will provide clearing and delivery services without changing the legal relationship under which the trading parties shall perform the obligations under relevant contract.

**Article 51** Price asking trades are subject to the same management system for funds account and Bullion Account as price matching trades and other trading modes offered by the Exchange.

**Article 52** Price asking trades are settled and delivered either at day-end or in real-time.

**Article 53** The Exchange will, in accordance with the *Detailed Clearing and Settlement Rules of Shanghai Gold Exchange*, clear the price asking trades participating in day-end clearing on the current day, and then organize their settlement according to the clearing results. Settlement results cannot be canceled once the process is completed.

**Article 54** If a price asking trade cannot be performed due to the failure of any trading party to prepare sufficient capital in its funds accounts or sufficient bullion in its Bullion Accounts, the Exchange will designate such trade as in default. Trades in default shall be resolved by the trading parties through consultation.

**Article 55** If a customer has deposited the funds or bullion necessary for trade settlement into the designated funds account or Bullion Account before the time it and its carrying member agreed to, but because of a shortfall in funds in the brokerage account of the member, the Exchange determines that the trade is in default, then the member shall be responsible for any losses so incurred pursuant to the brokerage agreement it had signed with the customer.

**Article 56** The Exchange charges members transaction fees for their price asking trades. Transaction fees for trades confirmed before day-end clearing will be collected on the current day; transaction fees for trades confirmed after day-end clearing will be collected on the next trading day. The Exchange will not refund the transaction fees already collected for cancelled trades. Each member may collect commissions from its customers in accordance with the brokerage agreement between them. Following an announcement to the effect, the Exchange may set and adjust the rates of transaction fees based on market conditions.

## **Chapter IX Emergency Operations**

**Article 57** Emergency operations refer to the emergency services conditionally provided by the Exchange to a member who, due to a fault with its system or with the communication link between it and the Exchange, cannot process its transactions as normal while the Exchange's system is running normally. Examples of these services include emergency registration, emergency confirmation, and emergency Modification and Execution.

**Article 58** Any member applying for emergency operations shall complete a corresponding application of a format designated by the Exchange and stamp its valid official seal to the completed form. Domestic Members shall apply for such services directly with the Exchange and International Members shall do so through SGEI. The Exchange will accept and review these applications in accordance with applicable rules and the objective circumstances of the day.

**Article 59** Floor staff of the Exchange will perform the corresponding emergency operations according to the application submitted by the member. Any such emergency operation shall be deemed as an action taken by the member for which the member shall assume full liabilities.

**Article 60** The Exchange shall not be held liable for any emergency operation that cannot be accepted or completed as normal due to any reason.

## **Chapter X Market Services**

**Article 61** The Exchange is responsible for the daily collection of price asking market data and information disclosure, and may release such data as quotations and trading information to the price asking market by itself or through an authorized third-party information service provider.

**Article 62** Based on market conditions, the Exchange may create pricing basis and release it to the market.

**Article 63** The Exchange may also provide market participants with a standardized agreement for price asking trades.

**Article 64** The Exchange shall reserve the copyrights to price asking market data, pricing basis, and standardized agreement it provides, which shall not be used for any commercial purposes by any organization or individual without permission of the Exchange.

**Article 65** Through the system designated by the Exchange, each member may obtain information about price asking transactions entered into for its own account or on behalf of its customers.

**Article 66** Without the prior written consent of the two trading parties concerned, no market participant is permitted to divulge any trading information or other non-public

information obtained through its participation of a price asking transaction on or through the Exchange, unless such divulgation is required by laws, regulations, or competent authorities.

## **Chapter XI Monitoring and Supervision**

**Article 67** The Exchange is responsible for the daily monitoring of price asking transactions and for reporting information relating to price asking transactions to the PBC.

**Article 68** Members and customers shall observe the laws, regulations, and ministry-level rules of China and the *Articles of Association*, market rules and measures of the Exchange, and shall accept the administration and supervision of the PBC and the Exchange. Members and customers are prohibited from engaging in any activity that disrupts market order, such as tunneling, market manipulation, and bad faith default, by way of their price asking transactions.

**Article 69** The Exchange has the power to impose the following penalties on members who are involved in irregular activities or misconducts during price asking transactions: requiring an explanation; ordering rectification of the situation within a specified time limit; circulating a notice of reprimand; suspending privileges to engage in price asking trades; and, if the circumstances are grievous, revoking such privileges.

**Article 70** Each member shall be obligated to oversee the price asking transactions of its customers and to inform them of the relevant laws, regulations, and ministry-level rules of China and the *Articles of Association*, market rules and measures of the Exchange.

**Article 71** Members shall actively cooperate with the Exchange during its investigation into any irregularities or violations in price asking transactions and shall rectify any form of noncompliance in a timely manner.

## **Chapter XII Ancillary Provisions**

**Article 72** Definition of terms, general guidelines, and basic procedures, specifications and other elements of the price asking transaction shall be governed by this *Detailed Rules*, the *Supplementary Provisions* for each price asking contract formulated hereunder, and the specific rules adopted by each price asking platform designated by the Exchange.

**Article 73** Matters not covered by this *Detailed Rules* and the *Supplementary Provisions* for each price asking contract formulated hereunder shall be governed by the relevant regulations and specific rules of the Exchange.

**Article 74** This *Detailed Rules* and the *Supplementary Provisions* for each price asking contract formulated hereunder are written in Chinese. In case of any inconsistency between their different language versions or different editions, the latest Chinese version shall prevail.

**Article 75** The Exchange shall reserve the right to interpret this *Detailed Rules* and the *Supplementary Provisions* for each price asking contract formulated hereunder.

**Article 76** This *Detailed Rules* and the *Supplementary Provisions* for each price asking contract formulated hereunder shall take effect as of the date of their release.

Schedule

**Hours for SGE Price Asking Transactions**

<b>Price Asking Market Status</b>	<b>Time</b>
Market Opening	8:50
Start of Contract Trading	8:55
Online Trading (Morning Session)	9:00-11:30
Online Trading Break	11:30-13:30
Online Trading (Afternoon Session)	13:30-15:30
Market Close	15:30
End of Registration	17:00