

## **Interim Provisions of Shanghai Gold Exchange on Irregular Trade Monitoring**

**Article 1** This *Interim Provisions of Shanghai Gold Exchange on Irregular Trade Monitoring* (this **Provisions**), formulated in accordance with the *Trading Rules of Shanghai Gold Exchange* and *Measures for the Administration of Risk Control of Shanghai Gold Exchange*, is designed to safeguard trading order, protect the lawful rights and interests of investors, and prevent trading risks.

**Article 2** Upon detecting any trading irregularity during its monitoring, the Shanghai Gold Exchange (the **Exchange** or **SGE**), to mitigate risks, may take such actions as controlling transaction frequency, restricting the opening of new positions, requiring the closing of positions within a specified time limit, and implementing forced liquidation.

**Article 3** Members shall duly supervise their customers' trading activities and promptly identify, stop, and report any irregularities, and shall not condone, induce, incite, or support customers to engage in irregular trading.

**Article 4** Members and customers shall comply with applicable laws, regulations, and rules of the Exchange during the course of trading and voluntarily regulate their trading activities. Customers shall accept the administration of their carrying members regarding the legality and compliance of their trading activities.

**Article 5** Except as otherwise permitted by the Exchange, the Exchange considers any of the following acts by a member or customer during trading as an irregular trading activity:

- (1) abnormal price movement caused by the trade of the member or customer;
- (2) irregularity in the orders of the member or customer, including:
  - (a) batch or rapid order placement creating a single-day order volume that might compromise the security of the Exchange's system or disrupt the normal course of trading;
  - (b) frequent placement and cancellation of orders in a particular contract, which might have affected the trading price or misled other customers to trade;
  - (c) multiple placement and cancellation of large orders by the customer in a particular contract in a single day, which might have affected the trading price or misled other customers to trade;
  - (d) placement and cancellation of large delivery intents during the tendering for delivery process, which might have manipulated the payment direction of the Deferred Fee; and
  - (e) any other order irregularity identified by the Exchange.

(3) irregularity in the trades of the member or customer, including:

(a) trades between accounts under actual common control;

(b) self-trade through the same account;

(c) a substantial volume or multiple rounds of “buy high, sell low” trades; and

(d) any other trading irregularity identified by the Exchange.

(4) irregularity in the position holding of the member or customer, including:

(a) the combined position holding of accounts under actual common control is in excess of the position limit; and

(b) any other position holding irregularity identified by the Exchange.

(5) any other circumstance which, in the opinion of the Exchange, constitutes an irregular trading activity.

**Article 6** The term “actual control” means the action or ability of a person (whether an individual or entity) to determine the trading decisions of another person (whether an individual or entity) by virtue of its power to manage, use, benefit from, dispose of, or otherwise influence the account of the latter person.

**Article 7** A person shall be deemed to have actual control over the trades of another person under a funds account or Bullion Account if the first person:

(1) is the controlling shareholder of the latter person, defined as any person who has made 50% or more of the capital contribution or holds 50% or more of the shares of the latter person, or any shareholder who, despite having a contribution or shareholding at less than 50%, can nevertheless exercise the voting rights granted thereby to significantly influence the decisions of the shareholders’ meeting or the shareholders’ general meeting of the latter person;

(2) is the authorized account opening agent, designated trader, funds transfer agent, settlement statement verifier, or any other type of agent engaged by the latter person;

(3) is or shares the same legal representative, principal partner, director, supervisor, senior manager, etc. of the latter person;

(4) is the spouse of the latter person;

(5) is a parent, child, or sibling of the latter person and has the decision-making power or significant influence over the day-to-day trades made through the funds account or Bullion Account of the latter person;

(6) has the decision-making power or significant influence over the day-to-day trades made through the funds account or Bullion Account of the latter person by virtue of investment, agreement, financing arrangement, or other arrangements;

(7) has the decision-making power or significant influence over the day-to-day trades made through the funds account or Bullion Accounts of two or more such latter persons; or

(8) is under any other circumstance so recognized by the Exchange.

**Article 8** Both the actual controlling and controlled persons shall voluntarily report relevant information to the Exchange through their carrying members. During its day-to-day market self-regulation, the Exchange may inquire a member about any suspected but unreported actual control relationship involving its customers, and may take such actions as arranging a warning appointment and issuing a warning letter against any member or customer who is involved in an actual control relationship but fails to truthfully report relevant information or truthfully respond to the Exchange's inquiries, or conceals facts or truth or willfully avoids inquiries. If the circumstances are serious, the Exchange may impose the regulatory measure of restricting trading activities.

**Article 9** The specific thresholds of irregular trading activities of a member or customer are as follows:

(1) frequent placement and cancellation of orders: placement and cancellation of 800 or more orders in a particular contract in a single day, which might have affected the trading price or misled other customers to trade;

(2) placement and cancellation of large orders: 50 or more large cancellations by the customer in a particular contract in a single day, which might have affected the trading price or misled other customers to trade;

“Large cancellation” means a single cancellation of 100 kg or more of gold contracts or 5,000 kg or more of silver contracts;

(3) wash trade: 5 or more trades between accounts under actual common control or 5 or more self-trades with one account in a single day;

(4) trades totaling 100 kg or more of gold contracts or 5,000 kg or more of silver contracts between accounts under actual common control in a single day;

(5) any other trading irregularity identified by the Exchange; and

(6) The above indicators do not include FAK and FOK orders, unless otherwise specified by the Exchange.

**Article 10** If the frequent intraday placement and cancellation of orders, placement and cancellation of large orders, or wash trade by a customer has reached the threshold for the Exchange to take regulatory actions, the Exchange will alert the carrying member by phone

and require the submission of a report. The member shall promptly communicate the alert to the customer, and educate, guide, dissuade, and stop the customer as necessary. Where the irregular trading activities of frequent placement and cancellation of orders, placement and cancellation of large orders, or wash trade of the customer took place through several members, the Exchange will separately alert by phone, and require report from, the member involved in the highest number of each such type of activities.

**Article 11** If a customer has reached on multiple occasions the threshold for the Exchange to take regulatory actions for frequent placement and cancellation of orders, placement and cancellation of large orders, or wash trade, the Exchange will do so according to the following procedures as necessary:

When the threshold is reached for the first time, the Exchange will alert the designated contact of the customer's carrying member by phone, require the member to communicate the alert to the customer and to educate, guide, dissuade, and stop the customer with respect to its irregular trading activities.

When the threshold is reached for the second time, the Exchange will place the customer on the regulatory watch list and notify the carrying member of the irregular trading activities.

When the threshold is reached for the third time, the Exchange will impose the regulatory measure of restricting the customer's trading activities for no less than one month in principle.

**Article 12** If a member has reached the threshold for the Exchange to take regulatory actions for frequent placement and cancellation of orders, placement and cancellation of large orders, or wash trade, the Exchange will do so according to the following procedures as necessary:

When the threshold is reached for the first time, the Exchange will alert the designated contact of the member by phone and require the submission of a report.

When the threshold is reached for the second time, the Exchange will arrange a meeting with a senior executive of the member.

When the threshold is reached for the third time, the Exchange will impose the regulatory measure of restricting the member's trading activities for no less than three months in principle.

**Article 13** The Exchange may restrict the trading activities of a member or customer by:

- (1) restricting the frequency of trades in designated contracts or all products of the Exchange;
- (2) restricting the opening of new positions in designated contracts or all products of the Exchange;
- (3) requiring the closing of positions in designated contracts or all products of the Exchange within a specified time limit;

(4) force-liquidating its open positions in designated contracts or all products of the Exchange; or

(5) imposing other restrictions recognized by the Exchange.

**Article 14** For a member who fails to perform its duties to notify, educate, guide, dissuade, and stop its customers as required by the Exchange, the Exchange may, depending on the severity of the circumstances, take such regulatory measures as requiring the submission of a report, arranging a warning appointment, or issuing a warning letter, public censure, or risk warning announcement.

**Article 15** The Exchange may timely adjust the criteria for irregular trading activities in view of market development and regulatory requirement. Such adjustment will be announced in advance.

**Article 16** This *Provisions* is written in Chinese. In case of any inconsistency between its different language versions or different editions, the latest Chinese version shall prevail.

**Article 17** The Exchange shall reserve the right to interpret this *Provisions*.

**Article 18** This *Provisions* shall take effect as of the date of its release.