

Guidelines for Brokerage Business of International Members of Shanghai Gold Exchange

(November 2020 Revision)

Contents

Chapter I	General Provisions
Chapter II	Brokerage Business Preparations
Chapter III	Administration of Account Opening
Chapter IV	Administration of Brokerage Business
Chapter V	Supervision
Chapter VI	Ancillary Provisions

Chapter I General Provisions

Article 1 This *Guidelines for Brokerage Business of International Members of Shanghai Gold Exchange* (this **Guidelines**), formulated in accordance with the *Trading Rules of Shanghai Gold Exchange, Measures for the Administration of Risk Control of Shanghai Gold Exchange, Detailed Clearing and Settlement Rules of Shanghai Gold Exchange, Detailed Delivery Rules of Shanghai Gold Exchange, Implementing Rules of Administration of International Members of Shanghai Gold Exchange*, and other relevant rules of the Shanghai Gold Exchange International Co., Ltd. (**SGEI**), is designed to regulate the Brokerage Business of International Members, enhance risk prevention capabilities, and improve customer services.

Article 2 “Brokerage Business” refers to trading activities carried out by International Members on or through the Shanghai Gold Exchange (the **Exchange** or **SGE**) with the authorization and on behalf of International Customers.

Article 3 An “International Customer” is a legal entity or an economic organization of other forms registered outside the mainland of the People’s Republic of China (**China**); in Hong Kong, Macau, or Taiwan; or in one of mainland China’s pilot free-trade zones, or a natural person.

Article 4 The Exchange authorizes and delegates SGEI to centrally administer the Brokerage Business of International Members.

Article 5 Any International Member that engage in Brokerage Business shall abide by this *Guidelines*.

Chapter II Brokerage Business Preparations

Article 6 Type A International Members and other organizations approved by the Exchange are permitted to engage in Brokerage Business. The International Customers trading through Type A International Members are classified into institutional customers, individual customers, and other customers approved by the Exchange.

Article 7 An International Member who applies for the offering of Brokerage Business shall comply with the relevant rules issued by the regulatory authorities where the International Member registered regarding the offering of these services.

Article 8 Any International Member that provides Brokerage Business shall have the necessary trading facilities and network infrastructure.

Article 9 Any International Member shall properly handle the relations among business development, compliance and risk control, and shall ensure that the personnel responsible for anti-money laundering and compliance is capable of performing anti-money laundering duties.

Article 10 Any International Member that provides Brokerage Business shall set up working positions dedicated to customer service, settlement and delivery, risk management, internal control management, IT management, and compliance etc., and provides services to International Customers including but not limited to : opening trading accounts, assisting in

the opening of dedicated funds account, executing trades on their behalf, publishing market information, resolving customer disputes and complaints, introducing listed products, assisting in the load-in and load-out of bullion, offering investor education and consulting services, and perform anti-money laundering, counter-terrorist financing and anti-tax evasion investigations on international customers.

Article 11 Any International Member that provides Brokerage Business shall develop a standard brokerage agreement which shall cover the following information at a minimum:

- (1) the identity of the International Member;
- (2) the legal (i.e., brokerage) relationship between the International Member and the International Customer, and clarifying that the International Customer will trade on the Exchange through Brokerage Business provided by International Member;
- (3) clarifying the relationship between the Exchange, SGEI, the International Member, and the International Customer;
- (4) clarifying that the International Customer must abide by applicable laws, regulations, and rules of China as well as the *Articles of Association*, rules, and measures of the Exchange, and shall strictly perform relevant anti-money laundering (AML), counter-terrorist financing (CTF), and anti-tax evasion (ATE) responsibilities and obligations;
- (5) the SGE contracts eligible to the International Customer, and the trading hours, underlying assets, and trading method of such contracts;
- (6) the rates, payment time, and payment method of the transaction fee as well as the margin rate for various contracts posted on the International Customer by the International Member;
- (7) details regarding risk management rules, including (i) the method for calculating the risk level; (ii) the triggering conditions for margin call, the method for determining the amount of margin call, time frame for meeting the margin call, and the notification methods for the margin call; (iii) the triggering conditions and notification methods for forced liquidation; the time frame, monetary amount, and quantity requirements for depositing additional margin funds or performing voluntary liquidation; as well as the method, time, order, and consequences of forced liquidation by the International Member;
- (8) the method and procedures by which the International Member resolves objections raised by the International Customer in connection with transactions, settlement, funds, and bullion etc.;
- (9) full risk disclosures to the International Customer;
- (10) clarifying that the International Customer may file a complaint with the Exchange or SGEI for any inappropriate conduct of the International Member in connection with its Brokerage Business;
- (11) undertake to provide prompt and efficient customer service to the International Customer; and

(12) any other information required by SGEI.

Article 12 International Member shall file the standard brokerage agreement with SGEI for record. International Member shall also promptly file any new or revised standard brokerage agreement with SGEI for record.

Chapter III Administration of Account Opening

Article 13 Each International Member shall, upon receiving an International Customer's application for Brokerage Business, fully disclose the risks and, if said International Customer is a natural person, additionally perform a risk assessment to evaluate the International Customer as a natural person's risk tolerance level. The International Member shall conduct differentiated management based on International Customer's risk tolerance level and shall not open a brokerage account for one with insufficient risk tolerance.

Article 14 An International Member shall perform thorough identity check and due diligence on International Customers, and, according to the principles of Know Your Customer, Know Your Business, and Due Diligence Check, investigate their background and source of funds and bullion, review the validity and authenticity of their documents, record essential identity information, retain photocopies or facsimiles of their valid identity certificates or documentation, obtain the basic information about their business operations, and identify their actually controlling natural persons and the actual beneficiaries of trading.

Article 15 An International Member shall duly perform its AML, CTF, and ATE responsibilities and obligations. Where the International Member has doubts about the identity, funds, or other materials of an International Customer following the check, it may reject the account opening application. Each International Member shall assume full responsibility for the information it has verified.

Article 16 International members shall establish an anti-money laundering internal audit mechanism, regularly carry out anti-money laundering inspections on brokerage business, and annually submit anti-money laundering report to SGEI.

Article 17 Where an International Member approves the account opening application of an International Customer, it shall enter into a brokerage agreement with the International Customer to clarify their respective rights and obligations.

Article 18 Any International Member, before applying for a trading account for an International Customer, shall assist its International Customer in opening a dedicated funds account with a bank certified by SGEI.

Article 19 International Member shall link an International Customer's trading account with its dedicated funds account, once the International Customer has completed the opening of a dedicated funds account.

Article 20 The International Member shall record detailed information of the International Customer into the Member Service System and apply to the Exchange for a trading account for the International Customer.

Article 21 When applying for the trading account for an institutional customer, the International Member shall submit the customer's account application form, customer information confirmation letter, brokerage agreement, as well as other relevant materials to SGEI. With respect to an institutional customer registered in mainland China's pilot free-trade zones, the International Member shall submit:

- (1) the customer's business license;
- (2) the identity document of the customer's legal representative or principal; and
- (3) other documents required by SGEI.

With respect to an institutional customer registered outside mainland China, the International Member shall submit:

- (1) document certifying the customer is duly registered and incorporated outside mainland China;
- (2) the customer's corporate governance documents such as the articles of association;
- (3) the identity document of the customer's persons-in-charge (i.e., legal representative or principal), and, in the event of an authorized person, the identity document of the authorized person and the duly executed original power of attorney;
- (4) audited financial report of the latest fiscal year; and
- (5) other documents required by SGEI.

Article 22 SGEI will review each account opening application filed by an International Member, and open the trading account only if the application is approved by the SGEI.

Article 23 When applying for the trading account for an individual customer, the International Member shall first review the account opening materials submitted by the customer, including:

- (1) the customer's account opening application form;
- (2) the customer's identity document;
- (3) the customer's customer information confirmation letter;
- (4) the duly executed brokerage agreement;
- (5) the risk assessment result; and
- (6) other documents required SGEI.

Article 24 After approving the application, the International Member shall record details of the individual customer into the Member Service System to create a trading account for the individual customer.

Chapter IV Administration of Brokerage Business

Article 25 Before the official commencement of Brokerage Business, an International Member shall post in full the minimum Settlement Reserve of RMB 5 million required for engaging in Brokerage Business, and shall timely increase the Settlement Reserve to meet the minimum Settlement Reserve according to the risk exposure of its International Customers.

Article 26 International Members shall execute the instructions of International Customers with utmost good faith and diligence, and shall neither offset their orders off the exchange, nor delay, alter, or cancel without authorization any of their orders.

Article 27 An International Member who accepts the engagement of an International Customer shall enter into a brokerage agreement and a risk disclosure statement with the International Customer, and shall specify in writing the AML, CTF, and ATE duties of the International Customer. In providing Brokerage Business, an International Member shall not exaggerate, fabricate, or willfully disseminate false information to mislead or deceive International Customers. An International Member shall not make any profit promise or agree risk or profit sharing in any forms with International Customer.

Article 28 Before an International Member submits a trading order or funds transfer instruction on behalf of an International Customer, an institutional customer must provide an authorization letter, signed by its legal representative or principal and stamped with its official seal, or another form of mutually accepted authorization. If the trading funds of an International Customer come from a source under a different name, it shall provide proof that the funds are from a lawful source and it has the right to use such funds.

Article 29 An International Member may collect Settlement Reserve and commissions from an International Customer in accordance with their brokerage agreement. Where any International Member, on behalf of an International Customer, enters into any trade that requires a Trading Margin, the Trading Margin collected by the International Member from the International Customer must be no less than that collected by the Exchange from the International Member.

Article 30 An International Member may set a more stringent position limit than the standard limit prescribed by the Exchange for International Customers who trade deferred contracts.

Article 31 If an International Member needs to force-liquidate the positions of an International Customer to control trading risks, it shall comply with the criteria and conditions stipulated in the brokerage agreement and notify the International Customer in the manner prescribed therein.

Article 32 International Members shall timely submit to SGEI reports such as large position reports.

Article 33 International Members shall assist International Customers in the load-in and load-out of bullion.

Article 34 Each International Member shall monitor the transaction, fund, bullion, and other relevant information relating to its International Customers, and investigate any irregular activities. Each International Member shall take appropriate actions in response to any violation of laws or rules such as money laundering, smuggling, terrorist financing, tax evasion, use of conflict gold, wash trade, and market manipulation. Where necessary, an International Member may terminate its Brokerage Business with any International Customer who violates the rules. Every International Member shall promptly report to SGEI any irregularity it has discovered and the results of its handling.

Article 35 An International Member shall keep International Customers' information confidential such as information relating to account opening, transactions, funds, and bullion, unless the disclosure of such information is required by SGEI in accordance with laws or regulations.

Article 36 An International Member shall take effective measures to safely store customer documents such as account opening materials, order records, and transaction records, without incidents such as loss, damage, forgery, or alteration, for not less than 20 years, or in the event of dispute out of trading, delivery, or settlement, the documents shall be kept until such dispute is resolved. In the event of an AML or CTF investigation, the relevant documents shall be kept until the investigation concludes or the minimum storage period ends, whichever is longer.

Chapter V Supervision

Article 37 SGEI have the power to supervise and inspect the Brokerage Business of International Members.

Article 38 SGEI shall take actions against non-compliant brokerage activities. Such actions include issuing a warning to the International Member concerned, circulating a notice of reprimand, suspending it from opening new accounts for one month, and restricting the opening of positions for minor instances of violation; and suspending the International Member from brokerage services for one to six months, revoking its trading privileges at the Exchange, and revoking its international membership for significant instances of violation.

Chapter VI Ancillary Provisions

Article 39 This *Guidelines* is written in Chinese. In case of any inconsistency between its different language versions or different editions, the latest Chinese version shall prevail. For all business-related documents, agreements, contracts, and other legal documents entered into between an International Member and the Exchange, the Chinese version shall prevail.

Article 40 SGEI shall be responsible to interpret this *Guidelines*.

Article 41 This *Guidelines* shall come into effect as of the promulgation date.