Appendix 2:

# Supplementary Provisions for Performance-Guarantee Price Asking Spot, Forward, and Swap Contracts of Shanghai Gold Exchange

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## Chapter I General Provisions

**Article 1** This *Supplementary Provisions for Performance-Guarantee Price Asking Spot, Forward, and Swap Contracts of Shanghai Gold Exchange* (this ***Supplementary Provisions***), formulated in accordance with the *Trading Rules of Shanghai Gold Exchange*, is designed to regulate the performance-guarantee (or margin-based) price asking spot, forward, and swap transactions executed on or through the Shanghai Gold Exchange (the **Exchange** or **SGE**) and protect the lawful rights and interests of market participants.

**Article 2** “Spot trade” refers a trade of such contract, quantity, price, and other terms as agreed upon by and among the trading parties and the expiry settlement and delivery of which is completed on the trade date (**T+0**) or the two consecutive trading days thereafter (**T+1** and **T+2**, respectively).

“Forward trade” refers to a trade, other than a spot trade, of such contract, quantity, price, and other terms as agreed upon by and among the trading parties and the expiry settlement and delivery of which is completed on a future trading day.

“Swap trade” refers to a two-leg trade of such contract, quantity, prices, and other terms as agreed upon by and among the trading parties and the expiry settlement and delivery of which is completed in two legs, each a forward or spot trade, which take place on two different trading days in the same quantity but of opposite trading directions.

**Article 3** This *Supplementary Provisions* is applicable to all margin-based price asking transactions that involve spot, forward, or swap trades (the **margin-based price asking transactions**).

## Chapter II Contracts

**Article 4** The margin-based price asking spot, forward, and swap contract listed on the Exchange is CAu99.99, whose specifications shall be governed by the *Specifications for SGE Margin-Based Price Asking Spot, Forward, and Swap Contracts* (Schedule 1).

**Article 5** The expiry settlement method for margin-based price asking spot, forward, and swap contracts is physical delivery. Physical delivery means the trading parties will, on the expiry date, complete trade settlement and delivery in accordance with the terms previously agreed upon through a delivery-versus-payment arrangement.

**Article 6** The tenor of margin-based price asking contracts shall not exceed one year in general.

**Article 7** The Exchange may adjust its contracts and contract specifications in view of market developments and announce the adjustment to the market.

## Chapter III Market Entry

**Article 8** The Exchange adopts a market-entry regime for margin-based price asking transactions.

**Article 9** Margin-based price asking transactions are open to the proprietary seats of market participants.

**Article 10** Any member who wishes to obtain or adjust its access to margin-based price asking transactions shall submit to the Exchange an *Application Form for Trading Privileges for SGE Margin-Based Price Asking Spot, Forward, and Swap Contracts* (Schedule 2).

**Article 11** Market makers for margin-based price asking contracts shall be market makers for interbank gold price-asking trades that wish to act as market makers for such contracts. The day-end settlement price for the daily marking-to-market of margin-based price asking contracts shall be determined by the daily fixing quotations from market makers.

## Chapter IV Trading, Registration and Confirmation

**Article 12** Parties that wish to execute a margin-based price asking spot, forward, or swap trade shall register and confirm the trade.

**Article 13** The trading quantity of a margin-based price asking spot, forward, or swap trade must be in multiples of one lot.

**Article 14** The trading direction of a margin-based price asking spot or forward trade shall be either buy or sell, determined by whether the gold trading product is being bought or sold. The buyer shall be the side with the trading direction “buy”; the seller shall be the side with the trading direction “sell.”

The trading direction of a margin-based price asking swap trade shall be either Buy/Sell (B/S) or Sell/Buy (S/B), determined by whether the gold trading product is being bought or sold in the near-leg of the trade. The buyer shall be the side with the trading direction B/S; the seller shall be the side with the trading direction S/B.

**Article 15** After a margin-based price asking spot or forward trade is confirmed by the Exchange, the Exchange will create an executed trade in its system based on the transaction information and update the positions held by the trading parties in the margin-based price asking contract for the corresponding expiry date.

After a margin-based price asking swap trade is confirmed by the Exchange, the Exchange will create one near-leg executed spot or forward trade and one far-leg executed spot or forward trade in its system based on the transaction information and update the positions held by the trading parties in the margin-based price asking contract for the corresponding expiry date.

## Chapter V Position

**Article 16** Following the system’s creation of an executed trade,the positions held by the trading parties in the margin-based price asking contract for the corresponding expiry date are updated as follows: updated buyer position = original position + buy quantity; updated seller position = original position − sell quantity.

**Article 17** A positive-signed position denotes long position; a negative-signed position denotes short position.

**Article 18** Where the Exchange adjusts the market holiday due to China’s announcing the public holiday schedule or other reasons, it will shift all positions whose expiry date falls on the market holiday to positions expiring on the trading day immediately after the market holiday or, if such trading day falls in another month, to positions expiring on the trading day immediately preceding the market holiday.

## Chapter VI Price

**Article 19** The Exchange calculates the settlement price of margin-based price asking contracts for each expiry date based on the fixing quotations submitted daily by market makers for the specified tenors. Specific submission and calculation methods are set out in the *Settlement Price Determination Scheme for SGE Margin-Based Price Asking Spot, Forward, and Swap Contracts* (Schedule 3).

**Article 20** In the event of an extreme scenario such as the settlement price quotations are abnormal or do not reflect the actual market conditions, the Exchange has the right to determine the final settlement price based on the market conditions.

**Article 21** The Exchange may adjust the settlement price determination scheme in light of market development needs, provided such adjustments shall be announced to the market.

**Article 22** The listing reference price of each newly listed contract is determined and announced by the Exchange in advance. The listing reference price of a margin-based price asking contract serves as the preceding-day settlement price for all positions in the contract on the day of listing.

**Article 23** The trading volume of a margin-based price asking trade refers to the sum of the buy quantity and sell quantity for all margin-based price asking contracts executed in that trade. Trading volume from a two-leg swap trade is computed separately for the forward (or spot) trade in each leg.

**Article 24** The open interest of a margin-based price asking contract refers to the sum of outstanding long positions and short positions in that contract.

## Chapter VII Risk Management

**Article 25** The margin requirement for positions in a margin-based price asking contract equals to the amount of margin for each lot × max (long position, short position).

During the trading and registration process, margin is collected at the maximum possible amount required under the various possible trade execution scenarios.

The Exchange may adjust the margin requirement or its calculation method as necessary in view of market risks. The specific margin requirement and calculation method shall be governed by the announcements of the Exchange.

**Article 26** The initial position limit for proprietary seats shall be governed by the *Position Limits for Margin-Based Price Asking Spot, Forward, and Swap Contracts* (Schedule 4).

The Exchange may adjust the foregoing standards as required by the circumstances. Such adjustments shall be governed by the announcements of the Exchange.

## Chapter VIII Clearing, Settlement and Delivery

**Article 27** The Exchange will, in accordance with trading results, clear the margins, gains and losses, transaction fees, and other payables and receivables of members as well as the bullion deliverable and receivable by members and customers.

**Article 28** Gains and losses are calculated as follows:

Current-day (CD) gains and losses (on each contract) = { Σ [ (sell price − CD settlement price) × sell quantity] + Σ [ (CD settlement price − buy price) × buy quantity] } × trading unit + Σ [ (CD settlement price − preceding-day (PD) settlement price) × PD size of positions] × trading unit

**Article 29** Upon completion of clearing, the Exchange will organize settlement based on the clearing results. Settlement results cannot be canceled once the process is completed.

**Article 30** A member or customer shall ensure its funds account and Bullion Accounts have sufficient capital and bullion before settlement. Any capital or bullion shortfall during settlement is treated as a delivery default.

**Article 31** In the event of a physical delivery default, the Exchange shall pay compensation to the non-defaulting party and collect default penalty from the defaulting party based on the penalty rate for the contract, and then terminate the delivery process. For purposes of this calculation, any fractional lot in default shall be treated as one lot. The Exchange may, in view of market conditions, adjust the penalty rate through announcements.

**Chapter IX Emergency Operations**

**Article 32** Emergency operations available to margin-based price asking transactions include emergency registration, emergency confirmation, and emergency default reporting.

**Article 33** If the members and (if applicable) brokers of both trading parties to a Margin-Based Price Asking Transaction are in the emergency situation of not being able to complete trade registration as normal due to system issues, the members may apply for emergency registration by submitting to the Exchange the *Application Form for Emergency Registration of SGE Margin-Based Price Asking Spot, Forward, and Swap Transactions* (Schedule 5) that is stamped with their official seals. The Exchange will process the application after approving it.

Trade registered through emergency registration need not be confirmed by the customers and members. Members shall apply for emergency registration within the registration hours of the corresponding contracts.

**Article 34** If a member to a Margin-Based Price Asking Transaction is in the emergency situation of not being able to confirm the trade as normal due to system issues, it may apply for emergency confirmation by submitting to the Exchange the *Application Form for Emergency Confirmation of SGE Margin-Based Price Asking Spot, Forward, and Swap Transactions* (Schedule 6) that is stamped with its official seal. The Exchange will process the application after approving it.

An emergency confirmation will be treated as a confirmation by both the customer and the member of the side that applies for the confirmation. A member shall apply for emergency confirmation within the registration hours of the corresponding contracts.

**Chapter X Ancillary Provisions**

**Article 35** Matters not covered by this *Supplementary Provisions* shall be governed by the relevant regulations and specific rules of the Exchange.

**Article 36** This *Supplementary 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 37** The Exchange shall reserve the right to interpret this *Supplementary Provisions*.

**Article 38** This *Supplementary Provisions* shall take effect as of the date of its release.

Schedule 1

**Specifications for** **SGE Margin-Based Price Asking Spot, Forward, and Swap Contracts**

**CAu99.99 Specifications**

|  |  |
| --- | --- |
| Contract Code | CAu99.99 |
| Trading Mode | Margin-based price asking |
| Trading Type | Spot, forward, swap |
| Trading Unit | 1,000 g/lot |
| Quotation Unit | Yuan/g |
| Minimum Price Fluctuation for Trade Registration | 0.001 yuan/g |
| Minimum Order Size | 1 lot |
| Maximum Order Size | 5,000 lots |
| Registration Hours | 9:00 a.m. – 3:30 p.m. on trading days |
| Last Registration Day | Day of contract expiry |
| Trading Margin | As specified in the pre-listing announcement  |
| Default Penalty |
| Trading Fee |
| Listing Date |
| Daily Settlement Method | Daily mark-to-market |
| Delivery Date | Day of contract expiry |
| Expiry Settlement Method | Physical Delivery |
| Deliverable Bullion | Gold ingots with standard weight of 1 kg and minimum fineness of 999.9 |
| Quality Standards | Ingots produced in compliance with the prevailing SGE gold ingot standard by SGE Standard Gold Ingot Refiners, or standard bars produced by LBMA Good Delivery refiners |
| Delivery Location | Certified Vaults |

Schedule 2

**Application Form for Trading Privileges for SGE Margin-Based Price Asking Spot, Forward, and Swap Contracts**

|  |  |
| --- | --- |
| Member Name |  |
| Member Seat Code (6-digit) |  | Seat Type | Proprietary |
| Trading Privilege | 🞎 Add 🞎 Remove |  |  |
| Contract | 🞎 CAu99.99 🞎 Others  |
| Contact Information | Name |  | Title |  |
| Tel. |  | Mobile |  |
| Email |  | Postal C. |  |
| Address |
| Name |  | Title  |  |
| Tel. |  | Mobile |  |
| Email |  | Postal C. |  |
| Address |
| Other Business-Related Remarks (If applicable) |  |
| Applicant’s Statement | After being granted access by Shanghai Gold Exchange to the SGE margin-based price asking transactions, we will have been bound by the agreements (if any) we have executed with Shanghai Gold Exchange as well as any normative documents released by the Shanghai Gold Exchange. |
| Official Seal |  |
| Date  |  |

Please fill out this form in full and stamp the official seal before faxing it to (+86 21) 3366 7352

Schedule 3

**Settlement Price Determination Scheme for SGE Margin-Based Price Asking Spot, Forward, and Swap Contracts**

During the designated hours on each trading day, organizations that provide settlement price quotations for a margin-based price asking contract will, based on the market data on that day, submit to the Exchange the settlement price fixing quotations for that contract for the specified tenors.

Before clearing, the Exchange calculates the settlement price of each contract of all expiry dates according to the steps below:

1. Arranging the quotations provided by all members for a particular underlying product in descending order, excluding the highest N quotations and lowest N quotations, and then computing the arithmetic average of the remaining ones, the result of which is the price for the underlying product. For purposes of this calculation, “N” is the number of quoting organizations on that day multiplied by 20% and rounded to the nearest whole number.
2. Calculating the settlement price for positions of the specified tenors/expiry dates.
3. Calculating the settlement price for positions of all the expiry dates through linear interpolation by calendar days.

Schedule 4

**Position Limits for Margin-Based Price Asking Spot, Forward, and Swap Contracts**

 (Unit: lot)

|  |  |
| --- | --- |
| **Contract** | **Proprietary Seat** |
| CAu99.99 | 4,000 |

Schedule 5

**Application Form for Emergency Registration of SGE Margin-Based Price Asking Spot, Forward, and Swap Transactions**

|  |  |  |  |
| --- | --- | --- | --- |
| Date of Trade Execution |  | Date of Registration Application |  |
| **Buyer (B/S)** | **Seller (S/B)** |
| Seat Code (6-digit) |  | Seat Code (6-digit) |  |
| Seat Name |  | Seat Name |  |
| Cust. Code (10-digit) |  | Cust. Code (10-digit) |  |
| Customer Name |  | Customer Name |  |
| Broker Code |  | Broker Code |  |
| Broker Name |  | Broker Name |  |
| **Trade Details** |
| Contract | 🞎 CAu99.99 🞎 Others:  |
| Trade Type | 🞎 Spot, Forward 🞎 Swap |
| **Near-Leg** | **Far-Leg** |
| Price (RMB) |  | Price (RMB) |  |
| Quantity (lot) |  | —— |  |
| Weight (kg) |  | —— |  |
| Expiry Date (YYYYMMDD) |  | Expiry Date (YYYYMMDD) |  |
| Additional Terms |  |
| **Member Contact Information** |
| Buyer Member Contact |  | Seller Member Contact |  |
| Buyer Member Tel. |  | Seller Member Tel. |  |
| Buyer Member Official Seal |  | Seller Member Official Seal |  |
| Date |  | Date |  |

Please fill out this form in full and stamp the official seal before faxing it to (+86 21) 3366 7352

Schedule 6

**Application Form for Emergency Confirmation of SGE Margin-Based Price Asking Spot, Forward, and Swap Transactions**

|  |  |  |  |
| --- | --- | --- | --- |
| Member |  | Member Code |  |
| Seat |  | Seat Code |  |
| Customer |  | Customer Code |  |
| Current Party’s Role | 🞎 Buyer (B/S) 🞎 Seller (S/B) |
| **No.** | **Price Asking Trade Number to be Confirmed** |
| 1 |  |
| 2 |  |
| 3 |  |
| 4 |  |
| 5 |  |
| **Member Contact Information** |
| Contact Person |  | Tel. |  |
| Official Seal |  |
| Date |  |

Please fill out this form in full and stamp the official seal before faxing it to (+86 21) 3366 7352