Appendix 1:

# Detailed Rules for Performance-Guarantee Price Asking Trading of Shanghai Gold Exchange

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## Chapter I General Provisions

**Article 1** This *Detailed Rules for Performance-Guarantee 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 price asking trades executed 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 clearing, settlement and delivery of which are 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 or margin-based price asking transactions, which are subject to margin requirements and daily mark-to-market and for which the Exchange provides centralized performance guarantee.

**Article 4** This *Detailed Rules* are applicable to margin-based price asking transactions.

## Chapter II Products and Contracts

**Article 5** Products listed on the Exchange for margin-based price asking transactions include gold (Au), silver (Ag), and such other products as approved by the People’s Bank of China (**PBC**).

**Article 6** Margin-based price asking contracts listed on the Exchange are classified by trading type into spot contracts, forward contracts, swap contracts, and such other types of contracts as approved by the PBC.

**Article 7** Margin-based price asking contracts listed on the Exchange are classified by delivery location into Main Board contracts and International Board contracts.

**Article 8** Specifications of margin-based price asking contracts shall be governed by the corresponding *Supplementary Provisions*.

## Chapter III Market Participants

**Article 9** The Exchange adopts a market-entry regime for margin-based price asking transactions. Any member who intends to engage in margin-based price asking transactions shall first apply to the Exchange. Relevant application requirements and procedures shall be governed by the *Supplementary Provisions* for margin-based price asking contracts formulated under this *Detailed Rules*.

**Article 10** The price asking market is a market for institutional investors. Members may participate in margin-based price asking transactions directly; corporate 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 engaging in margin-based price asking transactions.

**Article 12** Upon receiving a customer’s application for engaging in margin-based price asking transactions, the carrying member shall first enter into a brokerage agreement with the customer to set out their respective rights and obligations in such transactions.

**Article 13** Each member shall account for its proprietary price asking transactions separately from its brokerage price asking transactions. It shall conduct proprietary margin-based transactions through its proprietary seat and brokerage margin-based transactions through its brokerage seat.

**Article 14** Each member engaging in the margin-based price asking transactions shall have the necessary traders and seat users, and shall grant relevant authorizations for margin-based 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 has legal effect.

**Article 15** A margin-based price asking market maker (a **market maker**) refers to an institution duly approved to provide the margin-based price asking market with executable bids and asks in accordance with relevant rules.

**Article 16** 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 17** 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.

**Article 18** Institutions in the interbank gold price-asking market shall be subject to the above provisions when engaging in margin-based price asking transactions.

## Chapter IV Trading, Registration and Confirmation

**Article 19** Trading parties may engage in margin-based price asking transactions through the “click-to-trade” function or through trade registration and confirmation. The trading methods and hours applicable to each contract shall be governed by the corresponding *Supplementary Provisions*.

**Article 20** Registration refers to the submission of all the trading terms to the Exchange by the trading parties after entering into said trade.

**Article 21** The party registering a margin-based price asking trade is referred to as the registrant, which shall be one of the trading parties or a broker they both authorize.

**Article 22** Registration information shall be submitted by the registrant agreed upon by the trading parties. Any separate or duplicate submission is deemed as for a different margin-based price asking trade.

**Article 23** Registration information shall be submitted according to the following steps:

(1) The registrant submits to the Exchange all the trading terms required for trade registration;

(2) The Exchange reviews the terms for validity and completeness before accepting the registration.

**Article 24** With respect to margin-based price asking transactions, confirmation refers to the act of relevant parties to confirm an executed trade following the registrant’s submission of registration information. Confirmation consists of three phases: customer confirmation, member confirmation, and SGE confirmation.

(1) Customer confirmation means the act of the customer to confirm that the terms of the trade are correct. Customer confirmation is not necessary for the side that registers the trade.

(2) Member confirmation follows customer confirmation and means the act of the member to confirm that it will perform trade clearing on behalf of the customer. Upon member confirmation the Exchange freezes the necessary margin under the member’s corresponding trading seat.

(3) SGE confirmation follows member confirmation from each of the two trading parties and means the act of the Exchange to confirm that it will process the position changes and recalculate and readjust the margin.

## Chapter V Risk Management

**Article 25** The Exchange implements margin requirements, position limits, large position reporting, forced liquidation, risk warning, and market surveillance with respect to margin-based price asking transactions.

**Article 26** The Exchange enforces margin requirements. Margins are used to settle trades and ensure performance. The two types of margin are Settlement Reserve and Trading Margin. Settlement Reserve refers to the portion of margin not yet in use to maintain an order or trade. The minimum balance of Settlement Reserve shall be determined by the Exchange. Trading Margin refers to the portion of margin in use to maintain existing orders and trades. The rate of Trading Margin for each contract may be adjusted by the Exchange based on market conditions. Trading Margin collected by a member from its customer shall not be lower than that imposed on the member by the Exchange.

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 27** The Exchange enforces position limits. Position limit refers to the maximum size of long positions or short positions in a particular contract each member seat or customer is permitted by the Exchange to hold. The Exchange sets position limits separately for member seats and customers.

**Article 28** The Exchange enforces large position reporting. When the open positions held by a member seat or customer in a particular contract reach the reporting threshold set by the Exchange, or when required by the Exchange, the member or customer shall report details on its funds, positions, delivery intents, etc. to the Exchange or SGEI.

The Exchange may set and adjust the reporting threshold in view of market risks.

**Article 29** The Exchange implements a forced liquidation regime. The Exchange or SGEI has the power to liquidate the positions of a member if it fails to respond to a margin call, and of a member or customer if it is holding positions above limit or if it is under any other circumstance that, according to the rules of the Exchange, warrants the forced liquidation.

Gains from forced liquidation shall be handled in accordance with applicable rules. Expenses and losses from forced liquidation, including additional losses from failure to implement liquidation due to market factors, shall be borne by the relevant member or customer.

**Article 30** The Exchange implements a risk warning regime. The Exchange may, whenever it deems necessary, take one or more of the following actions to warn against and mitigate risks: requiring a member or customer to submit a report; arranging a warning appointment; issuing a warning letter; and/or issuing a risk warning announcement.

**Article 31** The Exchange implements market surveillance regime. Upon detection of any irregular trading activities, the Exchange shall have the power to take appropriate actions against the relevant member or customer.

**Article 32** When a member fails to perform an obligation under a trade, the Exchange shall have the power to:

(1) suspend the member from opening new positions;

(2) liquidate the member’s positions by rules and apply the margins so released toward contract performance and compensation;

(3) liquidate the member’s collaterals posted as margin and apply the proceeds toward contract performance and compensation;

(4) dispose of the member’s pledged assets in accordance with the law;

(5) dispose of the member’s physical inventory in accordance with the law;

(6) apply the member’s membership fees, proceeds from membership transfer, or any other funds toward performance and compensation;

(7) draw on the SGE Risk Management Fund by rules;

(8) draw on the account of the Exchange by rules; and/or

(9) take other actions within the power of the Exchange.

After performing trade obligations on behalf of the defaulting member, the Exchange shall obtain the corresponding right of recourse against the member.

SGEI shall have the power to take measures under Items (1) to (5) above when an International Member fails to perform its trade obligations.

**Article 33** Each member shall be responsible for controlling the trading risks of its customers. The member has the power to liquidate the positions of a customer who has insufficient Trading Margin, provided that the liquidation is carried out in adherence to the standards and conditions specified in the agreements between them and the customer is notified in advance through the means previously agreed upon. Any losses resulting from such liquidation shall be borne by the customer.

**Article 34** If the Exchange or SGEI has reasons to believe that a violation of the market rules of the Exchange by a member or customer is causing or is expected to cause a material impact on the market, the Exchange or SGEI may take any of the following stopgap measures against the member or customer to prevent the increase and spread of the impact:

(1) restricting Settlement Account Deposits;

(2) restricting Settlement Account Withdrawals;

(3) restricting the opening of new positions;

(4) raising margin requirements;

(5) requiring the closing of positions within a specified time limit;

(6) enforcing liquidation of open positions; and

(7) any other stopgap measures that the Exchange or SGEI can take.

## Chapter VI Clearing, Settlement and Delivery

**Article 35** The Exchange performs trades clearing and settlement using the “centralization, netting, and multi-tiered” model. The Exchange clears and settles for members based on trading seats.

**Article 36** The Exchange adopts a “one account, one code” system for physical delivery. All delivery activities of a member or customer will be performed through and reflected in its unique Bullion Account.

**Article 37** Margin-based 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 38** The day-end clearing and delivery sequence for price asking contracts is margin-based price asking contracts then bilateral-credit price asking contracts. Bullion or payments obtained from delivery against contracts earlier in the sequence may be used for delivery against contracts later in the sequence.

## Chapter VII Emergency Operations

**Article 39** Emergency operations refer to the emergency services, such as emergency trade registration and emergency trade confirmation 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.

**Article 40** Any member applying for emergency operations shall complete a corresponding application of a format designated by the Exchange and stamp its valid official seal on the completed form. Domestic Members shall apply for such services directly with the Exchange; 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 41** 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 legal liabilities.

**Article 42** The Exchange shall not be held liable for any emergency operation that cannot be accepted or completed as normal due to any reason.

## Chapter VIII Information Management

**Article 43** The Exchange is responsible for the daily collection of margin-based price asking market data and related 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 44** Based on market conditions, the Exchange may create pricing basis and release it to the market.

**Article 45** The Exchange reserves the intellectual property right to market data, pricing basis, and other information relating to margin-based price asking transactions, which shall not be used for any commercial purposes by any organization or individual without permission of the Exchange.

**Article 46** Each member may, through the system designated by the Exchange, obtain information about margin-based price asking transactions entered into for its own account or on behalf of its customers.

**Article 47** 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 margin-based price asking transaction on or through the Exchange, unless such divulgation is required by laws, regulations, or competent authorities.

## Chapter IX Supervision and Administration

**Article 48** The Exchange is responsible for the daily monitoring of margin-based price asking transactions and for reporting information relating to those transactions to the PBC.

**Article 49** 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 margin-based price asking transactions.

**Article 50** The Exchange has the power to impose the following penalties on members who are involved in irregular activities or misconducts during margin-based 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 margin-based price asking trades; and, if the circumstances are grievous, revoking such privileges.

**Article 51** Each member shall be obligated to oversee the margin-based 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 52** Members shall actively cooperate with the Exchange during its investigation into any irregularities or violations in margin-based price asking transactions and shall rectify any form of noncompliance in a timely manner.

**Chapter X Ancillary Provisions**

**Article 53** Definition of terms, general guidelines, and basic procedures, specifications and other elements of margin-based price asking transactions shall be governed by this *Detailed Rules*, the *Supplementary Provisions* for margin-based price asking contracts formulated hereunder, and the specific rules adopted by each price asking platform designated by the Exchange.

**Article 54** Matters not covered by this *Detailed Rules* and the *Supplementary Provisions* for margin-based price asking contracts formulated hereunder shall be governed by the relevant regulations and specific rules of the Exchange.

**Article 55** This *Detailed Rules* and the *Supplementary Provisions* for margin-based price asking contracts 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 56** The Exchange shall reserve the right to interpret this *Detailed Rules* and the *Supplementary Provisions* for margin-based price asking contracts formulated hereunder.

**Article 57** This *Detailed Rules* and the *Supplementary Provisions* for margin-based price asking contracts formulated hereunder shall take effect as of the date of their release.