

Measures for the Administration of Services of Margin Custodian Banks of Shanghai Gold Exchange

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Chapter I General Provisions

Article 1 This *Measures for the Administration of Services of Margin Custodian Banks of Shanghai Gold Exchange* (hereinafter referred to as this *Measures*), formulated in accordance with the *Detailed Clearing and Settlement Rules of Shanghai Gold Exchange*, is designed to regulate the margin custody services offered through the Shanghai Gold Exchange (hereinafter referred to as **SGE**), strengthen the administration of Margin Custodian Banks (hereinafter referred to as **Custodian Banks**), and safeguard funds and settlement processes.

Article 2 SGE, aiming to support the market, certifies Custodian Banks with prudence and will advise and supervise their services in accordance with this *Measures* to ensure the normal functioning of margin custody services.

Article 3 Custodian Banks shall abide by laws, regulations, and ministry-level rules of China and applicable rules of SGE, and shall accept the supervision and guidance of SGE in relation to their margin custody services.

Article 4 Rules governing the margin custody services at, and the Custodian Banks of, the Shanghai Gold Exchange International Co., Ltd. (**SGEI**) will be separately established by SGEI.

Chapter II Application

Article 5 To apply for certification as a Custodian Bank, the applicant shall:

(1) be a systemically important bank in the People's Republic of China for the most recent three years;

(2) have total assets of no less than RMB 1,500,000,000,000 and net assets of no less than RMB 100,000,000,000, and have been profitable in each of the most recent three fiscal years;

(3) meet the relevant requirements of the banking regulatory authorities of the People's Republic of China, including the capital adequacy ratio, liquidity ratio, and asset-liability ratio;

(4) have sound corporate governance, risk management framework, and internal control;

(5) have a dedicated institution or department in charge of the margin custody services;

(6) have in place a robust funds management system, and develop an internal management system for the margin custody services, a plan for handling inbound funds from unrecorded accounts, the procedures for handling errors, and the contingency plans for IT or telecommunication system malfunction and other abnormal conditions;

(7) have the facilities and technical capabilities necessary for providing margin custody services. Such facilities and capabilities include an efficient and stable intra-city and inter-city funds transfer system and a nationwide, real-time intra-bank transfer system;

(8) have professionals who are knowledgeable about precious metal trading and settlement, futures, and who have keen awareness for risk prevention and control;

(9) have committed no major illegal act or misconduct in the most recent three years, and have been maintaining stable system operations and operating without major accidents and major administrative penalties imposed by a regulatory authority during this period;

(10) have no pending litigation or outstanding debt that materially affects its credit standing;

(11) be a direct participant of the High-Value Payment System and capable of completing funds transfers on a real time and efficient basis;

(12) possess a feasible service innovation plan that is tailored to the products, contracts, members, and customers at SGE and promotes the functioning and innovations of the gold market; and

(13) meet other requirements prescribed by SGE.

Article 6 An applicant for Custodian Bank certification shall submit the following materials bearing its official seal to SGE for preliminary review:

(1) the *Application Form for Margin Custodian Bank Certification* (Annex 1), application report, documents certifying it meets the qualification requirements of a Custodian Bank, feasibility report, development plan for the Dedicated Custodian Bank System, service plan;

(2) the annual reports, internal control evaluation reports, and internal control audit reports from the most recent three years;

(3) internal management system for the margin custody services, plan for handling inbound funds from unrecorded accounts, procedures for handling errors, and relevant contingency plans;

(4) a description of the roles and responsibilities of the department in charge of the margin custody services, and a list of the relevant persons-in-charge and personnel;

(5) photocopy of the Business License of Enterprise Legal Person certified of passing the latest annual review;

(6) photocopy of the Financial License;

(7) written warranty that it has committed no major illegal act or misconduct in the most recent three years and has operated without major accidents and major administrative penalties imposed by a regulatory authority during this period;

(8) letters of authorization from the enterprise legal person for, and the identity document of, the individuals in charge of filing the application;

(9) the service innovation plan and a statement on its implementation; and

(10) any other documents required by SGE.

Article 7 A banking institution that has passed SGE’s preliminary review to become a Custodian Bank shall additionally pass the relevant service, technology, and telecommunication equipment tests as required by SGE and submit to it the following materials:

- (1) test results of the Dedicated Custodian Bank System;
- (2) photocopy of the business license of the branch certified by SGE to offer margin custody services (hereinafter referred to as the **servicing bank**), setup and duties of positions within the servicing bank, and a list of the relevant persons-in-charge and personnel; and
- (3) any other materials required by SGE.

Article 8 A recently qualified Custodian Bank shall, prior to engaging in the margin custody services, enter into the SGE Margin Custodian Bank Partnership Agreement with SGE to set out the rights and obligations of both parties.

Chapter III Operational Requirements

Article 9 A Custodian Bank shall provide margin custody services that are safe, accurate, timely, and compliant with all relevant market rules of SGE.

Article 10 A Custodian Bank shall adjust its business hours according to the trading and settlement hours of SGE and the needs of margin custody services.

Article 11 A Custodian Bank shall open, change, or close the Settlement Account of SGE or members in accordance with the rules of SGE. Any fund transfers between SGE and a member shall be conducted through the SGE Settlement Account and the Settlement Account of the member.

Article 12 A Custodian Bank shall handle fund deposits and withdrawals through electronic transfers in accordance with the rules of SGE.

Article 13 A Custodian Bank shall pay interest to SGE at the deposit rate that is determined by the Government Procurement Center of the People’s Bank of China (hereinafter referred to as **PBC**) through price inquiry and conforms to the self-regulatory pricing agreement.

Article 14 At any time that SGE requires additional liquidity at funds settlement and makes such a request, a Custodian Bank shall provide the corresponding funding support to help mitigate the risk.

Article 15 No Custodian Bank shall divert the margin of members and customers, or assist a member to create a security interest on the member’s Brokerage Settlement Account, or, without justification and the written consent of SGE, restrict Settlement Account Deposits or Settlement Account Withdrawals by members.

Article 16 A Custodian Bank shall reject any request of an outside organization or individual to freeze or forcibly transfer the funds within the SGE Settlement Account. If any outside organization or individual plans to implement such a freeze or any other measure which

may affect the margin custody services, the relevant Custodian Bank shall promptly notify SGE of such plan.

Article 17 When processing a member's Settlement Account Deposits, the Custodian Bank shall verify the payer's account information and refuse to accept any such deposits from any account other than the member's Settlement Account.

Article 18 A Custodian Bank shall transfer funds according to the electronic or written instruction issued by SGE's system:

(1) for intra-bank transfers, the Custodian Bank shall guarantee that, upon receiving a transfer instruction from SGE, it will transfer the funds to the Settlement Account of the member designated by SGE in real time;

(2) for inter-bank transfers, the Custodian Bank shall guarantee that, upon receiving a transfer instruction from SGE, it will immediately transfer the funds from the relevant account and that the funds will be timely credited into the payee bank account designated by SGE.

(3) For funds payments and receipts completed by SGE through the PBC High-Value Payment System, the Custodian Bank shall guarantee that its PBC deposit account has a sufficient balance and that it will transfer the relevant funds from the account immediately upon receiving a transfer instruction from the PBC High-Value Payment System.

Article 19 A Custodian Bank shall perform account reconciliation against the SGE Settlement Account according to the following rules:

(1) completing account reconciliation after day-end settlement or promptly upon the request of SGE;

(2) promptly informing SGE of the balance of its Settlement Account and any change thereof at any time and as requested by SGE;

(3) sending such transaction records as payment and receipt and statements to SGE on the business day following the date of corresponding transactions; and

(4) promptly providing the reconciliation statements for the Settlement Account as required by SGE.

Article 20 A Custodian Bank shall promptly notify SGE of any margin custody-related improper conduct or risk of members in accordance with the supervisory requirements of SGE.

Article 21 A Custodian Bank shall ensure service and personnel stability at the servicing bank, actively participate in the training organized by SGE, hold regular internal training, and ensure its relevant personnel are intimately familiar with the rules, requirements, and procedures of SGE concerning the margin custody services.

Article 22 A Custodian Bank shall strengthen its relevant IT systems and assist members in the use of transition accounts in strict accordance with the supervisory requirements of SGE.

Chapter IV Technical Requirements

Article 23 The Dedicated Custodian Bank System shall conform to the interface protocols and pass the acceptance test of SGE.

Article 24 A Custodian Bank shall apply for reliable and redundant data links between the main and backup data centers of its headquarters and those of SGE. The relevant network parameters will be assigned by SGE.

Article 25 A Custodian Bank shall incorporate its Dedicated Custodian Bank System into the unified operation and maintenance protocols for its IT systems and perform real-time monitoring of the Dedicated Custodian Bank System, the data links, and the related software and hardware platforms.

Article 26 A Custodian Bank shall notify SGE's Technical Operation and Maintenance Department five business days in advance of any network maintenance or system upgrade that will affect the normal operation of the Dedicated Custodian Bank System, and shall complete system testing ahead of time.

Article 27 A Custodian Bank shall actively cooperate with and participate in the emergency drills and joint tests organized by SGE.

Article 28 Each Custodian Bank shall have a contact person who is available 24/7 for technical emergencies, and shall notify SGE's Technical Operation and Maintenance Department upon any change of the emergency contact.

Chapter V Emergency Response

Article 29 A Custodian Bank shall establish a complete contingency plan for responding to network and information security incidents, and shall ensure the duly implementation of the relevant protocols and that the relevant personnel are given clear responsibilities and can promptly respond to and resolve incidents.

Article 30 In the event of any operational error or IT system malfunction that may affect the margin custody services, the Custodian Bank shall immediately notify SGE and take remedial measures.

Article 31 A Custodian Bank shall immediately notify SGE of any malfunction of the Dedicated Custodian Bank System, and actively cooperate with SGE in performing system checks to identify and eliminate the cause and determine responsibilities. It may also take emergency actions when necessary.

Article 32 In the event of any incident that undermines the stability or safety of the margin custody services, the Custodian Bank concerned shall immediately activate the contingency plan to ensure its service is restored to normalcy at the earliest possible time and shall report the situation to SGE.

Chapter VI Supervision

Article 33 A Custodian Bank shall notify SGE in writing within three business days of any change to the setup of positions, job responsibilities, the persons-in-charge, the points of contact, or other relevant aspects of either the department in charge of the margin custody services or any of the servicing banks.

Article 34 A Custodian Bank shall notify SGE in writing within three business days of any change to its internal management system, plan for handling inbound funds from unrecorded accounts, procedures for handling errors, or related contingency plans.

Article 35 A Custodian Bank whose credit standing may be affected by a material business risk or loss shall report the risk or loss to SGE within three business days of its occurrence, and submit a report analyzing the impact on its margin custody services and describing its response measures.

Article 36 A Custodian Bank that plans to perform any system upgrade, alteration or any other change which may affect the margin custody services shall notify SGE and the relevant members in writing five business days in advance. In addition, the Custodian Bank shall make adequate disclosures, carry out thorough system testing, and develop a targeted contingency plan to ensure the stability of the market is not adversely affected.

Article 37 A Custodian Bank shall submit annual reports to and as required by SGE covering such topics as the state of the margin custody services and its financial soundness, operational status of IT systems, employee training programs, emergency drills, technical support, risk management programs, and member service programs during the course of the year.

Article 38 SGE has the right to conduct *ad hoc* inspections on Custodian Banks as it deems necessary, during which the Custodian Banks shall cooperate. Inspections can be an on-site inspection by SGE or a self-inspection by Custodian Banks.

Article 39 SGE conducts annual review of each Custodian Bank to comprehensively evaluate its margin custody services in terms of operational compliance, business capacity, quality of services, and technical capabilities. SGE assesses the performance of each Custodian Bank based on the results of annual review.

Chapter VII Violations and Sanctions

Article 40 Where a Custodian Bank falls under any of the following circumstances, SGE will order it to rectify the situation, and, depending on the seriousness of the circumstances, take such actions as issuing a risk alert, issuing a warning, circulating a notice of reprimand, or suspending it from providing margin custody services to new member-clients:

- (1) failing to perform its obligations as a Custodian Bank as set out in the *Detailed Clearing and Settlement Rules of the Shanghai Gold Exchange* and this *Measures*;
- (2) failing to respond effectively and sufficiently to an incident that affects or may affect its margin custody services or that may threaten the sound operation of the market or undermine the lawful rights and interests of a member or customer;

- (3) without cause and the written consent of SGE, restricting Settlement Account Deposits or Settlement Account Withdrawals by a member;
- (4) breaching the service agreement executed with SGE or the market rules of SGE;
- (5) failing to promptly notify SGE and take immediate and effective measures in the event of any operational error or IT system malfunction that may affect the margin custody services;
- (6) failing to take effective preventive measures and allowing funds in the SGE Settlement Account to be frozen or forcibly transferred;
- (7) failing to cooperate with SGE in the day-to-day margin custody services;
- (8) failing to cooperate with SGE in the handling of transition accounts or committing a serious violation of the rules on transition accounts;
- (9) failing to cooperate with SGE during an *ad hoc* inspection on Custodian Banks or to submit the annual summary report on its margin custody services or other materials required by SGE;
- (10) offering substandard service, including failing to send the payment and receipt statements and other service records to SGE in a timely manner, failing to promptly reconcile accounts with SGE, failing to make rectifications as required by SGE, and receiving three validated complaints from members within a single year or a validated complaint on the same type of issue for three consecutive years; or
- (11) any other circumstance as recognized by SGE.

Article 41 SGE may suspend the margin custody services of a Custodian Bank except the margin custody services it receives as a member and require members to do business with other Custodian Banks, if the Custodian Bank:

- (1) fails to be recognized as a systemically important bank in the People's Republic of China for three consecutive years or no longer meets other qualification requirements for a Custodian Bank that affect the provision of margin custody services;
- (2) assists a member in creating a security interest on its Brokerage Settlement Account;
- (3) is no longer equipped with the business capacity and technical capabilities to offer margin custody services to other members except the service it receives as a member;
- (4) fails to complete rectification within the designated period following the occurrence of any circumstance under Article 40 of this *Measures*; or
- (5) falls under any other circumstance recognized by SGE.

Article 42 If, in the opinion of SGE, a problematic Custodian Bank has taken effective rectifying actions and is once again capable of offering the margin custody services as normal, SGE will suspend the penalty imposed under the preceding provision and revert to the normal administrative regime over the Custodian Bank's margin custody services.

Article 43 SGE may cancel the certification of a Custodian Bank if it:

- (1) applies for the cancellation of its certification;
- (2) is legally deregistered, dissolved, or declared bankrupt;
- (3) has lost its legal personality due to a merger or acquisition;
- (4) diverts the margin of a member or customer;
- (5) has recorded a loss in each of the most recent three fiscal years;
- (6) is no longer equipped with the business capacity and technical capabilities required of a Custodian Bank;
- (7) has provided false document or information to SGE;
- (8) has a major potential risk in the opinion of SGE; or
- (9) falls under any other circumstance which, in the opinion of SGE, warrants such cancellation.

Article 44 Following a decision to cancel the certification of a Custodian Bank, SGE will send a notice to the Custodian Bank ten business days before the cancellation takes effect and announce the decision on its website in a timely manner.

Such cancellation does not affect any other existing legal relationship between the Custodian Bank and SGE, but entitles SGE to terminate the relevant business relationships with the Custodian Bank.

Article 45 A Custodian Bank whose certification has been cancelled by SGE shall not re-apply for such certification within three years from the date of cancellation.

Chapter VIII Ancillary Provisions

Article 46 Unless otherwise provided by national laws or regulations, a Custodian Bank shall not disclose to any third party or by any means any non-public information concerning the margin custody services.

Article 47 Custodian banks that have been providing margin custody services before this *Measures* takes effect are not required to re-apply for the certification.

Article 48 This *Measures* is written in Chinese. In case of any inconsistency between its different language versions or different editions, the latest Chinese version shall prevail.

Article 49 SGE shall reserve the right to interpret this *Measures*.

Article 50 This *Measures* shall take effect as of February 20, 2025.

Annex 1

Application Form for Margin Custodian Bank Certification

Applicant (full name)		
Registered address		
Postal code		
Legal representative		
Business License of Enterprise Legal Person No.		
Financial License No.		
Department overseeing margin custody		
Tel.		
Fax		
Chief officer of the margin custody services	Name	
	Department and position	
	Contact information	
Service director of Shanghai branch	Name	
	Department and position	
	Contact information	
Technical director of Shanghai branch	Name	
	Department and position	
	Contact information	
Director of servicing bank	Name	
	Department and position	
	Contact information	
Name of handling person		
ID Card No. of handling person		
Tel. of handling person		
Financial conditions of the applicant	Total assets as of the end of last year	
	Net assets as of the end of last year	
	Net profit in the most recent three years	
	Capital adequacy ratio in the most recent three years	
	Asset-liability ratio in the most recent three years	

	Liquidity ratio in the most recent three years	
	Recognition as a systemically important bank in the People's Republic of China	
	Internal controls related to the margin custody service	
	Other remarks	