

Detailed Rules for Bullion Physical Leasing of Shanghai Gold Exchange

(June 2024 Edited Version)

Contents

Chapter I	General Provisions
Chapter II	Participants
Chapter III	Procedures
Chapter IV	Benchmark Lease Fee Rate
Chapter V	Tax Invoices
Chapter VI	Fees
Chapter VII	Supervision and Legal Liabilities
Chapter VIII	Ancillary Provisions
Annex 1	Application Form for SGE Leasing Business Whitelist
Annex 2	SGE Leasing Service Fee Schedule

Chapter I General Provisions

Article 1 The *Detailed Rules for Bullion Physical Leasing of Shanghai Gold Exchange* (hereinafter referred to as the “**Detailed Rules**”), formulated in accordance with rules including the *Interim Measures for the Administration of Gold Leasing* issued by the People’s Bank of China and the *Detailed Delivery Rules of Shanghai Gold Exchange*, is made to regulate the leasing of gold, silver, platinum and other physicals, protect the lawful rights and interests of the parties involved, and better serve the real economy.

Article 2 In the *Detailed Rules*, the term “lease” refers to the act that one party, through the bullion account it has opened with the Shanghai Gold Exchange (hereinafter referred to as the “**Exchange**” or “**SGE**”), leases physical gold, silver or platinum to the other party and is repaid with the same quantity of physical gold, silver or platinum or in currencies of equivalent value, plus any fruits accrued thereon, in accordance with the lease term, interest rate or fee rate as agreed by the parties by contract.

Article 3 According to the nature of the lessor and the lessee, the lease is classified into “lease between two financial institutions” and “lease between a banking depository financial institution and a gold/silver/platinum business related enterprise” (hereinafter referred to as the “**Bank-enterprise Lease**”).

Article 4 The lessor and lessee shall strictly follow the *Interim Measures for the Administration of Gold Leasing* issued by the People’s Bank of China, agree on a reasonable lease term, interest rate or fee rate, and properly complete relevant procedures such as customer due diligence, pre-lease and post-lease management.

Chapter II Participants

Article 5 Financial institutions, managers of asset management products with finance license, and gold/silver/platinum business related enterprises are permitted to engage in the leasing activities.

Article 6 Managers of asset management products with financial license may engage in leasing activities only with the gold, silver or platinum assets entrusted to them.

Article 7 The lessee in a Bank-enterprise Lease must be a gold/silver/platinum business related enterprise. A gold/silver/platinum business related enterprise refers to an enterprise that produces gold, silver or platinum or uses them in its production activities, including an enterprise that lawfully operates in related industries such as the exploration, mining, smelting, refining, processing or sale of physical gold, silver or platinum (including the sale of jewelry and related articles or sale of precious metal handicrafts), or an enterprise that has actual demands for physical gold, silver or

platinum (including such bullion in other forms) in its production or processing activities.

Article 8 The lessee in a Bank-enterprise Lease shall utilize the leased physical bullion in its normal production and business activities and provides relevant materials (such as order forms, contracts and certificates) to the lessor as required in a timely manner. The lessor in a Bank-enterprise Lease shall monitor the purpose of use of the leased physical bullion.

Article 9 The lessee in an inter-financial institution lease shall duly fulfill its obligations of serving the real economy utilize the leased gold, silver, platinum or other physical bullion in strict accordance with regulatory requirements.

Article 10 A lessor shall duly fulfill and assume its obligations as the reviewer and approver of a lease application and conduct compliance check on the lessee. The Exchange is entitled to request review of supporting documents relating to such compliance check from the lessor as necessary.

Chapter III Procedures

Article 11 The members should submit applications to the Exchange for custody registration and transfer of physical bullion in a lease transaction. A customer may delegate its member to submit such applications on its behalf.

Article 12 The lessor and lessee shall execute a lease agreement and report the lease transaction based on the terms of the agreement. The Exchange is entitled to review the lease agreement as necessary.

Article 13 The leasing of bullion products on either main board or international board can only be practiced between members and clients on the same board.

Article 14 Except for gold import and other cross-border business recognized by regulatory authorities, domestic members and domestic customers shall not engage in lease transactions with international members or international customers.

Article 15 Lease Pre-declaration. A lessor is required to submit a pre-declaration of a lease (or renewal of a lease) on the SGE member service platform in advance. The relevant pre-declaration materials must be certified with the lessor's seal.

Article 16 The Exchange offers a whitelist service for the participants of lease transactions. Whitelisted participants are eligible for automatic procession of their lease pre-declarations by the system.

Article 17 To become a whitelisted participant, a member shall submit the Application Form for SGE Leasing Business Whitelist (see Annex 1) and relevant

application materials to the Exchange. Qualified applicants will be added to the whitelist.

Article 18 The Exchange maintains a lessor whitelist and a lessee whitelist.

Article 19 Banking depository financial institution who is a financial member of the Exchange may apply for becoming a lessor whitelist participant.

Article 20 Financial members, general members of the Exchange as well as non-member gold/silver/platinum business related enterprises that have been verified by the banking depository financial institutions may apply for becoming the lessee whitelist participants.

Article 21 A non-member gold/silver/platinum business related enterprise that has leased 500 kg or more gold or platinum, or 50,000 kg or more silver through the Exchange during the previous year may submit the Application Form for SGE Leasing Business Whitelist (see Annex 1) and relevant application materials to the banking depository financial institution who acts as its lessor. The banking depository financial institution shall submit the application to the Exchange in writing after verification.

Article 22 Based on the whitelist status of the lessor and the lessee, pre-declarations are processed either automatically by the Exchange's system or manually. A pre-declaration is validated and confirmed automatically by the system if both the lessor and the lessee are whitelisted, or validated and confirmed manually by the Exchange if any one of them is not whitelisted.

Article 23 The Exchange may adjust the whitelists as required by regulatory policies or when either the lessor or the lessee commits a material violation of laws and regulations, incurs a material adverse credit record, experiences a major deterioration in its operations status, or is otherwise non-compliant with the requirements of the whitelist.

Article 24 Lease Declaration. Following approval of the pre-declaration, the lessor and the lessee shall each submit a lease declaration through the member service platform. The declaration shall indicate the essential information such as the pre-declaration number, lease agreement number, expiration date, lease term in days (which shall be less than or equal to the number of days indicated in the pre-declaration), nominal principal, annual fee rate, as well as information about the physical bullion including the type of bullion for delivery, the vault and standard weight (which shall be less than or equal to the weight indicated in the pre-declaration).

Article 25 In a lease of silver, the lessor shall specify the ingots details in the lease declaration.

Article 26 Lease Transfer. The Exchange's system will automatically validate the lease declarations submitted by the lessor and the lessee. Upon successful validation, the physical bullion will be transferred from the lessor's bullion account to the lessee's bullion account.

Article 27 Return Declaration. The lessor and the lessee shall each submit a return declaration to the Exchange through the member service platform. The declaration shall indicate the information such as the type of bullion to be returned, the vault for the return and the standard weight.

Article 28 In a return of silver, the lessee shall also specify the ingots details in its return declaration.

Article 29 Return Transfer. The Exchange's system will automatically validate the return declarations submitted by the lessor and the lessee. Upon successful validation, the physical bullion will be transferred from the lessee's bullion account to the lessor's bullion account.

Article 30 Partial return is permitted upon application. The physical bullion to be returned can be of a different delivery type but of the same type of bullion, provided that the returned bullion shall be in a type of the main board if the leased bullion is on the main board, and the returned bullion shall be in a type of the international board if the leased bullion is on the international board.

Article 31 Interest Settlement. The lessor and lessee may settle the interest by themselves off the Exchange. If interest settlement by the Exchange is preferred, they may in their return declarations indicate the amount of interest payable by the lessee, and the Exchange will collect and transfer the lease interest on their behalf at day-end settlement.

Article 32 Change of Lease Status. If a lessee fails to return the physical bullion on the date when the lease agreement expires, the lessor must promptly resolve the situation in accordance with the lease agreement. After completing the resolution process, it shall promptly register the change of lease status on the member service platform and specify the updated weight and the reason for the change. The Exchange's system will automatically process the lessor's application for change.

Article 33 Lease Renewal. If the lessor and lessee agree to renew a lease upon its expiration, they shall each complete the renewal procedures through the member service platform by filling out the information such as the pre-declaration number for the renewal, the renewal agreement number, the renewed expiration date, the renewed lease term, nominal principal, the renewed annual fee rate and the renewed standard weight. The Exchange's system will automatically validate their renewal applications and complete the renewal registration.

Article 34 Each lease may be renewed no more than three times. The term of each renewal may not exceed the original lease term and the renewed weight may not exceed the remaining quantity of the original lease.

Article 35 In an inter-financial institution lease, the financial institutions shall determine the lease term in a reasonable and prudent manner and it cannot be renewed upon expiration.

Chapter IV Benchmark Lease Fee Rate

Article 36 To enhance the basic indicators of the gold market, the Exchange publishes a benchmark lease fee rate on each trading day as a market reference.

Article 37 The benchmark lease fee rate refers to the fee rate determined from the quotations independently submitted by the quoting members designated by the Exchange in accordance with the relevant rules. The fee rate is an unsecured, non-compounding, inter-financial institutions rate.

Article 38 The Exchange is responsible for establishing the rules for the benchmark lease fee rate, determining the calculation methodology, maintaining the benchmark lease fee rate system, providing the quoting interface and ensuring the smooth operation of activities related to the benchmark lease fee rate.

Article 39 Each quoting member shall independently provide the daily benchmark lease fee rate quotation based on the market conditions without consulting with any other quoting member. A quoting member shall quote for all lease terms and ensure the integrity and validity of its quotations.

Article 40 The Exchange may determine and adjust the quoting members based on regulatory policy requirements, market changes and other relevant factors, regulate the quotation activities, and supervise and administer the benchmark lease fee rate.

Chapter V Tax Invoices

Article 41 For domestic members and domestic customers (as lessees of the main board gold and platinum) who are general value-added tax (VAT) taxpayers filed with the Exchange, the Exchange will issue them VAT invoices.

Article 42 For a lessee of physical gold or platinum who chooses to load-out by “Pick-up of Leased Physical Bullion” and then makes the return to the lessor with physical bullion bought on the Exchange, the Exchange will issue such lessee a special VAT invoice based on the load-out and purchase records.

Article 43 The Exchange does not issue a special VAT invoice to any lessee who makes the return to the lessor with physical bullion it has deposited into an SGE certified vault.

Chapter VI Fees

Article 44 The lessor and lessee shall each pay the Exchange a leasing service fee for each lease and renewal transaction at the rate specified in the SGE Leasing Service Fee Schedule (see Annex 2).

Article 45 The Exchange collects the leasing service fee on the day that it processes a lease or renewal transaction. The leasing service fee is currently waived for return transactions.

Chapter VII Supervision and Legal Liabilities

Article 46 The lessor and lessee shall strictly follow the *Interim Measures for the Administration of Gold Leasing Business* issued by the People's Bank of China and the *Detailed Rules*. In case of failure to do so and depending on the severity of the circumstances, the Exchange may take actions such as issuance of a verbal warning or written warning, arrangement of a supervisory meeting or suspension of lease transactions .

Article 47 Any customer that engages in the physical bullion lease related business is obligated to provide its agent member with complete and accurate documents that are necessary to carry out the transactions.

Article 48 The lessor and lessee shall expressly acknowledge their understanding of the provisions of the *Detailed Rules* when executing their lease or renewal agreement.

Chapter VIII Ancillary Provisions

Article 49 This *Detailed Rules* is written in Chinese and this English version is for reference only. In case of any inconsistency between the Chinese version and a version in other language, the latest Chinese version shall prevail.

Article 50 The Exchange reserves the right to interpret this *Detailed Rules*.

Article 51 The *Detailed Rules* shall take effect as of August 1, 2024.

Annex 1

Application Form for SGE Leasing Business Whitelist

Application Date:

Applicant			
Applicant's Customer Code			
Applicant's Address and Postal Code			
Application Type	<input type="radio"/> Lessor whitelist <input type="radio"/> Lessee whitelist		
Applicant Type	<input type="radio"/> General Member <input type="radio"/> Financial Member <input type="radio"/> Non-Member	Banking Depository Financial Institution	<input type="radio"/> Yes <input type="radio"/> No
Legal Representative		Position	
Contact Person		Position	
Telephone		Fax	
Mobile Phone		Email	
Applicant's Signature/Seal			
Declaration	We, the above-signed, voluntarily apply for being included in the lease business whitelist of the Shanghai Gold Exchange. We certify that all information provided on this form has been verified to be accurate and valid, and we are free of any record of material breach of laws and regulations in the recent two years.		

Note: Attach any necessary explanatory materials to this form.

Annex 2

SGE Leasing Service Fee Schedule

Bullion Type	Leasing Service Fee	
	Overnight Lease	Non-Overnight Lease
Gold	0	2 yuan/kg/month
Platinum	0	2 yuan/kg/month
Silver	0	1 yuan/kg

Notes:

1. “Overnight lease” refers to a lease with the term of one calendar day in which the transfer of physical bullion is completed on the date of the transaction and the lease expires on the following day.
2. For the purpose of calculating the service fee for a lease of gold or platinum, 1 month means 30 days. For any term shorter than a month, it will be rounded up to a whole month.
3. The fee rates are subject to any changes announced by the Shanghai Gold Exchange.