Detailed Clearing and Settlement Rules of Shanghai Gold Exchange

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Chapter I General Provisions

Article 1 The *Detailed Clearing and Settlement Rules of Shanghai Gold Exchange* (hereinafter referred to as the ***Detailed Clearing and Settlement Rules***), formulated in accordance with the laws, regulations and rules of China, and the *Trading Rules of Shanghai Gold Exchange*, is designed to regulate the settlement activities within the markets of Shanghai Gold Exchange (hereinafter referred to as the **Exchange** or **SGE**), protect the public interest and the lawful rights and interests of the trading parties, and prevent and mitigate market risks.

Article 2 The term "settlement" refers to the fund transfers and physical deliveries made according to the confirmed results of clearing, which is performed in accordance with trading results and applicable rules of the Exchange, of the fund payable or receivable and the physical bullion deliverable or receivable by the trading parties.

Article 3 Unless otherwise prescribed by the Exchange, the Exchange, as the central counterparty, organizes the centralized clearing and settlement of every trade matched through or registered in its system.

Article 4 The Exchange authorizes and delegates the Shanghai Gold Exchange International Co., Ltd. (hereinafter referred to as **SGEI**) to provide clearing and settlement services to International members. The detailed rules governing those services shall be formulated by SGEI separately.

Article 5 The *Detailed Clearing and Settlement Rules* shall be applicable to all settlement activities on or through the markets of the Exchange. The Exchange, members who receive settlement services from the Exchange (hereinafter referred to as the **Members**), customers of the Members, Margin Depository Banks (hereinafter referred to as the **Depository Banks**), and all related staff shall abide by the *Detailed Clearing and Settlement Rules*.

Chapter II Settlement Departments

Article 6 The Exchange has an internal settlement department (hereinafter referred to as the **SGE Settlement Department**) which is responsible for centrally settling trades executed on or through the Exchange, managing margins, and preventing settlement risks.

Article 7 The main responsibilities of the SGE Settlement Department are:

(1) to organize settlement activities;

(2) to control settlement risks;

(3) to prepare settlement statements and other accounting statements

for the Members;

(4) to manage the Members' margins;

(5) to resolve disputes among the Members over margin accounts and payments; and

(6) to perform other responsibilities in accordance with the laws, administrative regulations, and departmental regulations, or prescribed by the Exchange.

Article 8 Each Member shall set up its own settlement department (or appoint the dedicated settlement staff) to be responsible for the settlement activities between itself and the Exchange, and between itself and its customers. Each Member shall provide the contact list of its settlement department (or its dedicated settlement staff) to the Exchange for record.

Article 9 Each Member's settlement department (or its dedicated settlement staff) shall keep safe all settlement materials, financial statements, and related supporting materials and books of accounts for examination and verification.

Article 10 The Exchange has the right to examine a Member's settlement materials, financial statements, and related supporting materials and books of accounts pertaining to its trading activities. The Member shall cooperate with such examinations.

Article 11 Each settlement department and its respective staff (or the dedicated settlement staff) shall keep confidential any and all trade secrets belonging to the Exchange and the Members, unless their disclosure is required by laws, regulations, judicial authorities, or administrative authorities.

Chapter III Depository Banks

Article 12 "Depository Bank" refers to a commercial bank certified by the Exchange to assist in providing margin custody services.

Article 13 An applicant for a Depository Bank shall meet the requirements prescribed by the Exchange. Upon obtaining the approval of the Exchange as the Depository Bank, it shall enter into a settlement agreement with the Exchange regarding the respective rights and obligations of the parties and relevant service procedures. The specific application requirements shall be separately formulated by the Exchange.

Article 14 A Depository Bank is entitled to:

(1) open the SGE Settlement Account, the Members' Settlement Accounts, and other accounts relating to margin custody;

(2) accept deposits from the Exchange and the Members;

(3) access the credit standing of Members at the Exchange; and

(4) exercise other rights in accordance with the laws, administrative regulations, and departmental regulations, or prescribed by the Exchange.

Article 15 A Depository Bank is obligated to:

(1) prioritize fund transfers initiated by instructions from the Exchange, and promptly transfer the fund of Members to the SGE Settlement Account;
(2) promptly notify the Exchange of any misconduct or risk of the Members in relation to the custody of margins;
(3) help the Exchange to mitigate serious risks;
(4) keep confidential any and all trade secrets of the Exchange, the Members and its customers;
(5) take necessary regulatory measures on the fund in Members' settlement accounts complying with rules of the People's Bank of China (hereinafter referred to as the **PBOC**);
(6) accept the Exchange's supervision and guidance on relevant business activities; and
(7) perform other obligations in accordance with the laws, administrative regulations, and departmental regulations, or prescribed by the Exchange.

Chapter IV Accounts

Article 16 The Exchange shall open a concentration account with the PBOC to hold and transfer Members' Trading Margin and a dedicated settlement account (hereinafter referred to as the **SGE Settlement**

Account) with each Depository Bank to hold and transfer Members' Settlement Reserve and relevant payments.

Article 17 The Exchange shall perform settlement for each Member on a seat-by-seat basis. The seats are categorized into proprietary seats and brokerage seats. Each Member must select a Depository Bank to open, for the corresponding trading seat, a dedicated settlement account (hereinafter referred to as the **Settlement Account**), to hold and transfer its or its customers' margins and other related funds. Fund for proprietary trades and brokerage trades shall not be commingled.

Article 18 Fund transfers between the Exchange and a Member shall be effected through the SGE Settlement Account and the Members' Settlement Account.

Article 19 The margins collected by the Exchange from its Members shall remain the property of such Members and shall not be diverted for any purpose other than the settlement of such Members' transactions. Customers' margins collected by their carrying Member shall belong to such customers, and shall be deposited in the Member's Settlement Account for brokerage seat (hereinafter referred to as **the Brokerage Seat Settlement Account**). Customers' margins shall not be misappropriated, and could only be transferred under the following circumstances:

(1) to perform Settlement Account Withdrawals as instructed by its customers;

(2) to pay and deposit Trading Margin, transaction fees, and other charges on behalf of its customers; or

(3) other circumstances prescribed by the Exchange.

Article 20 Any Member who intends to open, rename, change, or close a Settlement Account must obtain the Exchange’s approval by submitting a written application and duly completed materials.

Article 21 Fund deposited into the SGE Settlement Account by Members shall be accounted for separately by the Exchange. The Exchange shall establish a subsidiary account for every seat of each Member, and shall daily record and verify in chronological order such entries as inbound and outbound fund transfers, gains and losses, Trading Margin, and transaction fees for each seat.

Article 22 Fund deposited into a Member’s Brokerage Seat Settlement Account by its customers shall be accounted for separately by the Member. A Member shall establish a subsidiary account for each customer, and shall daily record and verify in chronological order such entries as inbound and outbound fund transfers, gains and losses, Trading Margin, and transaction fees for each customer.

Chapter V Risk Management

Article 23 The Exchange enforces margin requirements. Margins, segregated into Settlement Reserve and Trading Margin, are used to settle trades and guarantee contract performance.

Article 24 The forms of Margin shall include cash and the valuables confirmed by the Exchange. "Valuables" shall refer to the inventory-type valuables such as gold and silver under the custody of SGE, as well as foreign currencies, marketable securities, and other valuables recognized by the Exchange. Where Valuables are used as Margin, such use may be carried out by means of pledge or other methods to guarantee performance in accordance with relevant rules and regulations.

Article 25 Settlement Reserve refers to the fund maintained by a Member under the SGE Settlement Account for settling trades, which is not yet used by existing open positions of the Member.

Article 26 The Exchange shall set, for each Member on a seat-by-seat basis, the minimum balance requirement of Settlement Reserve, and has the right to adjust such requirement based on market conditions, the scale of the Member's business, and the type of business it applies to engage in at the Exchange. A Member must use its own capital to meet the minimum Settlement Reserve.

Article 27 The Exchange shall accrue interest on a daily basis and pay out such interest quarterly on March 21, June 21, September 21, and December 21 each year (postponed accordingly for public holidays) by crediting it into the Member's Settlement Reserve, and shall deduct any overdraft interest from the Member's Settlement Reserve.

The specific interest calculation standards shall be determined, adjusted, and announced by the Exchange.

Article 28 Trading Margin refers to the fund maintained by a Member under the SGE Settlement Account to guarantee the performance of trades, which is already in use to maintain existing open positions of the Member. The Exchange shall collect Trading Margin on both long positions and short positions in proportion to the value of contracts held or according to other methods provided by the Exchange.

Notwithstanding the foregoing, the Exchange may collect the higher of the Trading Margin for long positions and that for short positions with respect to the following:

(1) the long and short positions in deferred contracts of the same product held by a customer through the same Member seat; or

(2) any other circumstances as deemed necessary by the Exchange.

Article 29 The minimum rate of Trading Margin required shall be provided by the contract specifications and announcements issued by the Exchange.

Article 30 Trading Margin collected by a Member from its customer shall be no less than that imposed on the Member by the Exchange.

Article 31 The Exchange maintains risk reserve as per rules. The SGE Risk Reserve is a special fund established to maintain the normal operation of the market, compensate for significant financial losses arising from unforeseen risks of the Exchange, prevent major risks related to the business activities of the Exchange, and ensure the normal conduct of market trading activities.

Article 32 Sources of funding for the SGE Risk Reserve include:

(1) provisions at a certain percentage of the transaction fees collected from Members;

(2) government grants earmarked for the SGE Risk Reserve;

(3) penalties and penalty interests collected from Members committing violations; and

(4) other sources.

Article 33 The SGE Risk Reserve shall be managed in a dedicated account and used solely for its designated purposes. Its use shall follow the prescribed procedures and for the specified purposes, and shall be reported to the PBOC for record promptly after such use.

Article 34 The assets collected and withdrawn by the Exchange, as the central counterparty, including Margins, the SGE Risk Reserve and other assets, shall be used on a priority basis for settlement and delivery and shall not be subject to seizure, freezing, attachment or compulsory enforcement. Prior to the completion of settlement and delivery, no person shall use the Margins that secure performance and delivery, nor the delivery property that has entered the delivery process.

Settlement and delivery conducted in accordance with applicable laws shall not be suspended, held void or revoked by the enter into bankruptcy proceedings of any party thereto.

Article 35 Other risk management rules are set out in the *Measures for the Administration of Risk Control of Shanghai Gold Exchange*.

Chapter VI Clearing and Settlement

Article 36 The Exchange performs trades clearing using the “centralized, netting, and tiered” model.

“Centralized” means the Exchange, as the central counterparty, will provide centralized clearing services and performance guarantee to its Members, except where otherwise prescribed by the Exchange;

“Netting” means the Exchange will consolidate a Member’s trading results at the Exchange to obtain the net transaction amount;

“Tiered” means the Exchange will clear trades for the Members, and each Member will in turn clear trades for its customers.

Article 37 The Exchange performs trades clearing and settlement for the Members by trading seats. The Members and customers shall ensure that there will be sufficient fund and bullion for settlement in their Cash Account and Bullion Account at the time of settlement.

Article 38 The Exchange will, in accordance with trading results, clear the delivery payments, margins, gains and losses, transaction fees, and other payables and receivables of Members as well as the bullion deliverable and receivable by the Members and customers. In particular, on any given day the Exchange will:

(1) calculate the delivery payments and bullion payable and receivable for contracts to be physically delivered or cash-settled on that day;

(2) calculate the current-day gains and losses on each spot contract traded on that day based on the difference between their execution price and settlement price, and calculate margins at the current-day settlement price based on the net trading quantity of the contract;

(3) calculate, for deferred contracts and performance-guaranteed price asking contracts, in accordance with mark-to-market rules, the Trading Margin, current-day gains and losses, Deferred Fees, and other relevant payments on each deferred contract at the current-day settlement price;

(4) calculate the current-day gains and losses on each benchmark price contract traded on the day by taking the Benchmark Price PM as its current-day settlement price, and calculate margin at the current-day settlement price based on the net trading quantity of the contract;

(5) calculate, in accordance with prescribed standards, the Load-In/Load-Out Differential Amount payable or receivable, and the cash difference of the Gold Exchange-Traded Open-Ended

Securities Investment Fund;

(6) calculate the relevant fees in accordance with prescribed standards;

(7) clear other contracts in accordance with applicable rules of the Exchange.

Article 39 The calculation formulas are as follows:

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

(If there have been cash-settled price asking trades, the current-day gains and losses shall also include the cash difference.)

CD Settlement Reserve balance = PD Settlement Reserve balance + (PD Trading Margin − CD Trading Margin) + (PD fund frozen − CD fund frozen) + (CD delivery payments received − CD delivery payments paid) + CD gains and losses + (Settlement Account Deposits − Settlement Account Withdrawals) + interests + (CD Deferred Fees received − CD Deferred Fees paid) − transaction fees and other related fees and charges;

CD usable currency balance = PD usable currency balance + (PD Trading Margin − CD Trading Margin) + (PD minimum Settlement Reserve balance − CD minimum Settlement Reserve balance) + (PD fund frozen − CD fund frozen) + (CD delivery payments received − CD delivery payments paid) + CD gains and losses + (Settlement Account

Deposits − Settlement Account Withdrawals) + interests + (CD Deferred Fees received − CD Deferred Fees paid) − transaction fees and other related fees and charges.

Article 40 Upon completion of clearing, the Exchange will organize settlement based on the clearing results by debiting the fund payable and bullion deliverable by the Members and customers from their accounts and crediting the fund and bullion receivable to relevant accounts, and, based on the results of netting, complete fund transfers through the PBOC's High Value Payment System. Settlement results cannot be reversed once the process is completed.

Article 41 After day-end settlement is completed, the settlement results shall constitute a margin call to any Member whose Settlement Reserve is below the minimum balance required by the Exchange. The difference between the two shall be the amount of additional margin the Member needs to deposit.

Any Member receiving a margin call issued by the Exchange shall ensure that it will meet the minimum Settlement Reserve before market opening on the following trading day. If the Member fails to replenish the shortfall, where its Settlement Reserve balance is greater than or equal to zero but lower than the minimum Settlement Reserve requirement, no new positions may be opened for such Member's seat; and where its Settlement Reserve balance is less than zero, the Exchange shall take actions including forced position liquidation in accordance with the *Measures for* *the Administration of Risk Control of Shanghai Gold Exchange* and other applicable provisions.

Article 42 After day-end settlement is completed, each Member may timely obtain the settlement data and settlement statements from the system designated by the Exchange. Each Member shall verify, and keep secure these records for a minimum of five years, but any record related to a trading dispute or an investigation by regulatory authorities or the Exchange shall be retained for a longer period, to until the dispute is resolved or the investigation is concluded.

The Exchange shall be deemed to have delivered the settlement data and settlement statements to the Members once such data and statements have been sent to the designated system.

Article 43 In the event that the Exchange cannot provide settlement data and settlement statements as scheduled, the Exchange will notify the Members of availability.

Article 44 Any Member who has any objection against the settlement data or settlement statements shall notify the Exchange in writing at least 30 minutes before market opening on the next trading day; otherwise, the Member shall be deemed to have accepted the accuracy of the settlement data and settlement statements.

Chapter VII Fund Deposit and Withdrawal

Article 45 The Exchange shall process fund deposit and withdrawal for the Members in a safe, accurate, and convenient manner. The specific time for Members' fund deposit and withdrawal operations shall be determined, adjusted, and announced by the Exchange.

Fund Deposit refers to the act of transferring fund from a Member's Settlement Account to the SGE Settlement Account. For a Member's fund deposit processed by the Exchange, after the relevant Depository Bank confirms that the fund transferred by a Member have been credited into the SGE Settlement Account, the Exchange will increase that Member's Settlement Reserve accordingly.

Fund Withdrawal refers to the act of transferring fund from the SGE Settlement Account to a Member's Settlement Account. For a Member's fund withdrawal processed by the Exchange, the Exchange will perform fund transfers according to the application of Members.

Article 46 Fund Withdrawal by the Members shall be compliant with the rules of the Exchange. The formula for calculating the CD withdrawable funds is as follows:

CD withdrawable fund balance = (CD Settlement Reserve balance − CD minimum Settlement Reserve balance) − CD delivery payments received − (PD utilized collateralization quota ÷ maximum matching ratio).

Payments including delivery payments received on the current day and current-day gains received during day-end settlement can be requested for Fund Withdrawal during the withdrawal hours on the following trading day.

Article 47 The Exchange shall suspend Fund Withdrawal by a Member if:

(1) being under investigation by the Exchange;

(2) the Member is under active formal investigation by the judicial system or other competent authorities;

(3) in the opinion of the Exchange, the market is exposed to significant risks; or

(4) any other circumstances as deemed necessary by the Exchange.

Chapter VIII Customer Transfer

Article 48 "Customer transfer" refers to the arrangement where a customer's positions, physical inventories, or margins are transferred from one Member to another Member. Under any of the following circumstances, customer transfer may be implemented upon application submitted by the Member and approved by the Exchange:

(1) the Member is involved in a merger, division, suspension of business operations, dissolution, or insolvency;

(2) the Member no longer meets the requirements for offering brokerage services;

(3) the Member breaches the rules of the Exchange and incurs a risk of violation or default; or

(4) there is any other circumstance in which a transfer of customers is authorized by the Exchange.

Article 49 The transferring Member, the receiving Member, and the customer shall submit one or more of the following application materials for customer transfer as required by the Exchange:

(1) a written statement from the transferring Member and the receiving Member consenting to the customer transfer;

(2) a written statement from the customer consenting to the transfer, or supporting documents evidencing that the customer has been informed of the transfer;

(3) detailed lists of the relevant margins, physical inventories, and positions;

(4) other documents required by the Exchange.

Article 50 The Exchange shall designate a trading day as the transfer date. The customer transfer that meets all requirements, shall be completed at the day-end settlement on the transfer date. The customer transfer shall include the relevant margins, physical inventories, positions, current-day gains and losses, and Deferred Fees. Any storage fees, Load-

In/Load-Out Differential Amounts, and other charges incurred prior to the transfer but remaining unsettled shall be settled through the transferring Member on the transfer date. Upon completion of the customer transfer, the Exchange shall provide a customer transfer statement to both the transferring Member and the receiving Member. The Members shall verify and confirm the customer transfer statement. Once confirmed, it shall not be altered.

Article 51 Relevant Members shall be responsible for the authenticity, accuracy, and completeness of the information submitted. Where a Member provides false information leading to disputes, the Member shall bear all legal liabilities arising therefrom.

Article 52 The Exchange may suspend or cancel a customer transfer where there is a material risk in the market, a one-sided market, or where the information submitted by a Member is incorrect, as well as under other circumstances deemed by the Exchange as unsuitable for customer transfer.

Chapter IX Default Resolution

Article 53 The Exchange shall be entitled to recognize that a Member has committed a default in circumstances including but not limited to:

(1) failure of physical delivery due to insufficient fund in Member's Cash Account or insufficient bullion in Member's Bullion Account or its customer's Bullion Account; or

(2) the Settlement Reserve of the Member falls below the required minimum and the shortfall is not eliminated within the specified time limit.

Article 54 A Member shall be liable for any default of proprietary trades and shall first assume all liabilities for any default of brokerage trades. When a customer fails to perform its obligations in a timely manner, the Member shall not, rely on the customer's default to be released from its obligations to the Exchange, nor shall such default be used as a defense against the Exchange's demand for contract performance by the Member.

Article 55 Each customer shall take full responsibility for the trades it executes through its carrying Member and shall have the right to report to the Exchange any issue in the brokerage services offered by the Member.

Article 56 In the event of a physical delivery default, the Exchange shall, at the prescribed default penalty rate, pay compensation to the non-defaulting party and collect default penalty from the defaulting party, and terminate the delivery process.

Article 57 The foregoing provisions on default resolution are not applicable to bilateral-credit price asking trades. If default occurs in such a trade, the trading parties shall seek a solution themselves by the rules of the Exchange.

Article 58 Where a Member’s Settlement Reserve is insufficient and such deficiency is not remedied within the time limit prescribed by the Exchange, the Exchange shall have the right to take the following measures in the following order:

(1) suspend the Member from opening new positions;

(2) execute forced position liquidation by rules until the margin released therefrom is sufficient for contract performance and compensation;

(3) dispose of the assets posted by the Member as margin and apply the proceeds toward contract performance and compensation;

(4) dispose of the Member’s pledged assets in accordance with the law.

Article 59 If, after the measures under Article 58 are taken, the Member still owes funds, the Exchange shall take the following measures to perform the obligations and liabilities under the relevant contracts:

(1) dispose of the Member’s physical inventory in accordance with the law;

(2) draw on other fund of the Member such as its membership Fee to fulfill contractual obligations and make compensations;

(3) draw on the SGE Risk Reserve by rules;

(4) draw on the fund of the Exchange by rules; and/or

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

Upon drawing on the SGE Risk Reserve or its own fund, the

Exchange shall obtain the corresponding right of recourse or the right of claim against the Member.

Chapter X Ancillary Provisions

Article 60 The time for the businesses covered by the *Detailed Clearing and Settlement Rules* is a general principle and subject to change by the Exchange in view of the particular circumstances.

Article 61 The *Detailed Clearing and Settlement Rules* are formulated in Chinese. In case of any inconsistency between its different language versions or different editions, the latest Chinese version shall prevail.

Article 62 The Exchange shall reserve the right to interpret the *Detailed Clearing and Settlement Rules*.

Article 63 The *Detailed Clearing and Settlement Rules* shall take effect as of *June 29th,2026.*