Measures for the Administration of Membership of the Shanghai Gold Exchange

Chapter I General Provisions

Article 1 These Measures for the Administration of Membership of the Shanghai Gold Exchange (these “Measures”) are formulated pursuant to the Rules on Supervision of Business Activities of the Shanghai Gold Exchange promulgated by the People’s Bank of China (the “PBC”) and the Articles of Association of the Shanghai Gold Exchange, to strengthen the self-regulation over and protect the lawful rights and interests of the members of the Shanghai Gold Exchange (the “Exchange” or the “SGE”), as well as to regulate their business activities on the Exchange.

Article 2 A “member” refers to a legal entity or a business entity in any other form approved by the Exchange to trade in precious metals including gold, silver, platinum etc., on or through the Exchange pursuant to applicable laws and regulations of the People’s Republic of China (the “PRC”) as well as relevant provisions of the Articles of Association of the Shanghai Gold Exchange.

Article 3 Members of the Exchange are categorized as Ordinary Members and Special Members according to the rights they enjoy and the obligations they assume.

Article 4 Ordinary Members are categorized as financial members, general members and proprietary members according to their scope of business. A financial member may engage in proprietary business, brokerage business and other businesses approved by regulatory authorities; a general member may engage in proprietary business and brokerage business for corporate customers; while a proprietary member may only engage in proprietary business.

Article 5 The Exchange approves admission of Special Members to keep abreast of market needs. Special Members consist of International Members and institutional investors otherwise recognized by the Exchange.

Article 6 Members are categorized as Domestic Members and International
Members according to their places of registration. The term of “Domestic Members” refers to those duly registered within the territory of the PRC; while the term of “International Members” refers to those duly registered either outside the territory of the PRC (including those registered in Hong Kong, Macau or Taiwan) or within a region otherwise recognized by the Exchange.

Article 7  A member shall abide by applicable laws, administrative regulations and rules, as well as the *Articles of Association of the Shanghai Gold Exchange*, trading rules and implementing rules of the Exchange when conducting business activities on the Exchange, and shall act with integrity, follow operational standards and be subject to the self-regulation of the Exchange.

Article 8  These *Measures* are binding on all members and their associated persons.

**Chapter II  Membership Application**

Article 9  In addition to meeting the criteria for Exchange members as set out in the *Articles of Association of the Shanghai Gold Exchange*, an eligible applicant for the Ordinary Membership in the Exchange shall:

1. be an enterprise legal person registered in the PRC;
2. acknowledge and undertake to abide by the *Articles of Association of the Shanghai Gold Exchange* and rules of the Exchange governing its business activities;
3. have net assets of not less than RMB 10 million;
4. be operating in compliance with the law, in good standing and have no recent record of serious offences;
5. have well-established organizational structure, full-fledged financial management system, sound internal control structure and mature risk management framework;
6. have regular business premises and necessary facilities for business operation;
7. undertake to pay membership fee, annual fee and other expenses payable to the Exchange; and
8. comply with any requirements as otherwise prescribed by the Exchange.

Article 10  An applicant for Ordinary Membership shall submit the following documents to the Exchange:
(1) a written application with signature of its legal representative or
an authorized signatory, and photocopy of ID document of such
legal representative/authorized signatory and power of attorney
issued to the authorized signatory (if applicable);

(2) Enterprise Legal Person Business License issued by the
administration for industry and commerce, and the PRC
organization code certificate and tax registration certificate;

(3) the annual financial statements for the immediately preceding year
audited by a certified public accounting firm or a certified public
auditing firm;

(4) certificate for the right to use the domicile or the business
premises; and

(5) any documents as otherwise required by the Exchange.

Article 11 In addition to meeting the standards for Exchange member eligibility as
set out in the Articles of Association of the Shanghai Gold Exchange, an
applicant for the Special Membership shall also meet the additional
criteria for Special Members, and submit relevant documents and
materials as required. For detailed requirements, please refer to
applicable rules of the Exchange governing its business activities.

Article 12 An applicant for the Exchange’s membership shall submit a written
application to the Exchange that specifies:

(1) purpose of and reasons for the application;

(2) written commitment to the Articles of Association of the Shanghai
Gold Exchange and rules of the Exchange;

(3) the applicant’s internal organizational structure and business
structure; and

(4) any documents as otherwise required by the Exchange.

Article 13 Member admissions shall be handled in accordance with the Articles of
Association of the Shanghai Gold Exchange. Admissions of Ordinary
Members shall be reviewed by the Membership Committee under the
Board of Directors (the “Board”) and approved by the Chairman, while
admissions of Special Members shall be reviewed by the General
Manager and approved by the Chairman.

Article 14 The Exchange shall, within 30 business days of receipt of completed and
satisfactory application documents, come up with the opinion as to
whether approve such application or not. An admission notice shall be
sent to the applicant within 5 business days if the Exchange approves the
application.
Article 15  Within 30 business days of receiving the notice of Ordinary Membership admission, the applicant shall:

(1) pay the membership fee of RMB 1,400,000 for financial membership, RMB 1,100,000 for general membership and RMB 800,000 for proprietary membership;

(2) pay the annual fee of RMB 50,000 for financial membership, RMB 40,000 for general membership and RMB 30,000 for proprietary membership;

(3) open Member Accounts with a Settlement Bank certified by the Exchange;

(4) participate in trader’s training courses and obtain relevant qualification certificates;

(5) undertake the procedures for authorization of the staff members designated for dealings with the Exchange and retain their specimen signatures for such purpose; and

(6) complete any procedures as otherwise required.

Any applicant who fails to complete the above procedures within the specified time frame shall be deemed to have waived its membership.

Article 16  Fees applicable to newly admitted Ordinary Members and Special Members shall be subject to standards otherwise set by the Exchange.

Article 17  Upon completion of all procedures listed above, the applicant will become an official member with a membership certificate issued by the Exchange. The Exchange will report such admission to the PBC for record and make a public announcement accordingly.

Article 18  The applicant shall be granted a floor trading seat together with its membership. It shall apply to the Exchange for additional floor trading seats as its business requires. The grant of an additional floor trading seat is valid at least for one year, and an annual floor trading seat fee of RMB 30,000 will be charged in the case of Ordinary Members, or RMB 50,000 in the case of Special Members (any fraction of a year shall be deemed a whole year for the purpose of such calculation).

Article 19  Acquisition, transfer, succession and termination of memberships shall be reported to the PBC for record and publicly announced by the Exchange.

Article 20  The members shall enjoy the rights and perform the obligations as stipulated in the *Articles of Association of the Shanghai Gold Exchange.*
Chapter III  Changes and Termination of Membership

**Article 21**  Ordinary Membership can be transferred with approval of the Exchange, while Special Membership is not transferable. Transfer of membership or trading seat by means of contracting, leasing, or pledging is prohibited.

**Article 22**  Transfer or termination of Ordinary Membership shall be subject to conditions and procedures stipulated by the Exchange and the transferee shall meet the conditions set out in Article 9 hereof.

**Article 23**  In the case of an Ordinary Membership transfer, a membership transfer application shall be submitted by the transferor 60 business days in advance while a membership application supported by relevant documents shall be submitted by the transferee to the Exchange. After a preliminary review on the qualifications of the transferee by the Exchange, the transferee and transferor shall enter into a Membership Transfer Agreement. Upon approval by the Board based on recommendation of the Membership Committee, the transferor and transferee shall fulfill the procedures required for a transfer of membership.

**Article 24**  In the case of membership transfer or termination, the transferor shall:

1. terminate all existing contracts resulting from trades entered into by such transferor or be discharged from such contracts by full performance thereof;
2. settle all of its claims and debts with the Exchange;
3. return all notes and receipts and any other certificates issued by the Exchange;
4. close its Member Accounts;
5. return all trading equipment to the Exchange; and
6. fulfill any other requirements as set forth in the various rules of the Exchange.

The member shall, within 30 business days of receipt of the Exchange’s written approval of the transfer or termination, complete the relevant procedures set forth in Article 24.

In case the member fails to terminate or discharge from any and all contracts resulting from its trades within the specified time period, the Exchange may enforce liquidation of the open positions of the member on the trading day immediately following the expiration of such time period; in case the member fails to settle its debts with the Exchange, the
Exchange may deduct an equal amount from the membership fee to be refunded to the member, and claim any difference thereof against the member if the membership fee is insufficient to cover such debts; any other failure to comply with the above provisions shall be handled in accordance with relevant rules of the Exchange.

**Article 25** An Ordinary Member shall not transfer its membership at its discretion, if it:

1. is being investigated by relevant authorities of the PRC for economic disputes, offenses or crimes;
2. is being investigated by the Exchange for suspected violation of any rule of the Exchange;
3. less than 3 months have elapsed from receiving a sanction or sanctions imposed by the Exchange, including but not limited to reprimand and/or suspension of trading privileges;
4. has been a member for less than 1 year;
5. has its membership revoked by the Exchange; or
6. has any outstanding debt dispute with the Exchange.

**Article 26** A legal entity resulting from acquisition of or merger with a member shall have priority over other applicants for acquiring membership.

Such legal entity shall submit a written application to the Exchange for succession to the membership of such member. The succession to a membership must be approved by the Exchange pursuant to relevant procedures.

**Article 27** Upon approval by the Board, the Exchange may revoke a member’s membership, if it:

1. is imposed with a market bar by a regulatory authority;
2. transfers, entrusts or contracts a floor trading seat to a third party without the Exchange’s approval and acknowledgement;
3. suffers a grave shortfall in capital, staff and/or facilities, fails to manage its business in an orderly manner, and fails to carry out any effective remedy;
4. refuses to carry out a resolution of the Members’ Assembly or the Board;
5. has failed to trade for 3 consecutive months without showing good cause or has failed to reach the annual trading volume threshold required by the Exchange;
(6) organizes private transactions or is involved in illegal trading activities;

(7) fails to pay the annual fee or any other fee or cost payable to the Exchange;

(8) issues fraudulent VAT invoices; or

(9) commits any other violation of applicable PRC laws, regulations or rules, or a material violation of the Articles of Association of the Shanghai Gold Exchange and/or rules of the Exchange.

Following the revocation of membership, the Exchange may expel the member from the membership and complete the corresponding procedures.

**Article 28**

A member whose membership termination application is approved, or whose membership is revoked, shall go through the membership termination procedures within the specified time period, and the Exchange shall clear and refund the membership fee to the member within 30 business days upon completion of such procedures. The member is still obligated to pay the annual fee for the year when its membership is terminated, and any and all such annual fee is non-refundable.

**Article 29**

A member shall report to the Exchange in writing within 10 business days of occurrence of any of the following:

(1) any change in its legal representative;

(2) any change in its registered capital or shareholding structure;

(3) any change in its name, registered address or business premises, scope of business, or contact information;

(4) any major change in its business operation;

(5) admission to membership in any other exchange;

(6) involvement in a major lawsuit or economic dispute;

(7) formal investigation or sanction imposed by a regulatory authority, or sanction by any other exchange, for a suspected violation; or

(8) any other event the report of which is otherwise required by the Exchange.

**Chapter IV Brokerage Business**

**Article 30** Brokerage business refers to business activities engaged in by financial
members, general members as well as other members approved by the Exchange as brokers acting on behalf of customers.

**Article 31** A member and its associated persons and its customers must abide by applicable PRC laws, regulations and policies, as well as the *Articles of Association of the Shanghai Gold Exchange*, and rules and measures of the Exchange. The members shall also act with integrity, provide better education programs and guidance to customers, help increase their awareness for compliance, improve market and business operations and strictly implement the PRC tax policies.

**Article 32** The members are obligated to notify their customers of any PRC laws, regulations and tax policies informed by the Exchange through its public announcements.

**Article 33** Brokerage business must be carried out in accordance with the procedures stipulated by the Exchange.

**Article 34** A member who engages in brokerage business shall not accept a customer who:

1. lacks full capacity for civil conduct;
2. fails to provide a power of attorney issued by its legal representative, in the case of an institutional customer;
3. fails to provide the qualification certificates necessary for the lawful conduct of its business, as required by the Exchange; or
4. is found to fall under any circumstance as otherwise provided in applicable PRC laws and regulations, and rules of the PBC and/or the Exchange.

**Article 35** A member shall, before initiating any trading activities on behalf of a customer, verify and confirm the identity and creditworthiness of the customer and the customer’s eligibility to trade. In addition, the member shall enter into a brokerage agreement with the customer.

If the funds to be withdrawn are not from the customer’s own account, the customer shall demonstrate his/her right to use the funds.

**Article 36** When a customer engages a member to act as its broker, the customer: 1) in the case of an individual, shall provide a letter of authorization signed by himself/herself, or any authorization agreement in a form otherwise acceptable to the parties, or 2) in the case of a legal entity, shall provide a letter of authorization signed by its legal representative and stamped with its company seal, or any authorization agreement in a form otherwise acceptable to the parties, to enable the member to place trading orders or funds transfer instructions on behalf of the customer.
In absence of a letter of authorization or where the authorization is not clearly defined, the member shall not conduct any trading activities on behalf of the customer.

**Article 37**  
A member shall segregate its own funds from the margin funds of its customers. The customer’s margin funds shall be separately accounted for and deposited into a separate account. Any misappropriation thereof is strictly prohibited. The member shall create and maintain a separate line item for customer margin funds in its accounting. In addition, the member shall account for customer’s margin funds on a customer-by-customer basis. The brokerage contract between the member and a specific customer, and the trading code, the settlement statement and accounting sub-ledger specific to such customer shall cross reference each other, and each of such customer’s margin fund movements must be traced there between. Such customer’s settlement statement shall not substitute for such customer’s accounting sub-ledger.

When a customer deposits or withdraws funds, the carrying member shall require the customer or its authorized person in charge of handling deposits and withdrawals to sign off or stamp the relevant financial documents.

The member shall not misappropriate any customer’s margin for the purposes of its own business activities or settlement of its own debts, nor shall it allow any other person to divert the customer’s margin or use such margin to issue guarantees to secure business activities of any person other than the customer.

**Article 38**  
A member shall execute its customer’s trading orders in a prompt and accurate manner. The member shall notify the customer immediately of any filled order.

**Article 39**  
A member shall continuously improve its customer order placement process and its process for confirmation, with signature, of trade settlement materials. All materials related to the Exchange and trade records shall be kept for a period of no less than 5 years, while in case of any disputes over trading, delivery and settlement, relevant materials shall be retained until such disputes are successfully resolved.

**Article 40**  
The members and the Settlement Banks shall keep the customers’ information and materials confidential, and shall not disclose any business secrets which became known to them in the course of their brokerage business or settlement activities, unless such disclosure is otherwise required by applicable laws, administrative regulations or department-level rules.

**Article 41**  
If a Forced Liquidation of a customer’s positions becomes necessary for the purpose of risk management, the member shall comply with relevant
terms and conditions specified in the brokerage contract between the member and the customer and notify the customer as prescribed therein.

The member shall not allow a customer to trade when it has deficit in margin.

**Article 42** A member shall not open fraudulent accounts or misappropriate margin funds of any customer or convert such margin funds for any use other than such customer’s trades, in any form whatsoever.

**Article 43** A member shall not fabricate or disseminate false information to mislead or defraud the customer when engaging in trading activities on the customer’s behalf.

**Article 44** A member may collect Clearing Deposit and brokerage fees from the customer.

**Article 45** To engage in brokerage business, the member shall set up an account to be used exclusively for the creation and maintenance of the Risk Management Fund, and set aside a certain proportion, no less than 5%, of the annual brokerage fees received from customers for such Risk Management Fund.

### Chapter V Supervision and Regulation

**Article 46** A member and its associated persons shall abide by applicable PRC laws, regulations and policies as well as the *Articles of Association of the Shanghai Gold Exchange* and rules and measures of the Exchange, and shall be subject to supervision and regulation by the PBC and the Exchange. An International Member shall also be subject to the day-to-day management of Shanghai International Gold Exchange Co., Ltd.

**Article 47** A member shall designate a business contact and assign several traders to deal with trades conducted on or through the Exchange. Any such trader shall have completed the business training courses organized by the Exchange and obtained relevant qualification certificate.

**Article 48** The qualification of traders shall be subject to the examination and approval of the Exchange, and the membership shall be reviewed by the Exchange on an annual basis.

**Article 49** The Exchange may require corrective actions to be taken within a specified time frame by a member who:

1. suffers poor financial management, long-term losses, unsound operation, or significantly deteriorating solvency;
2. is detected with serious problems in the annual or interim audit;
(3) violates relevant rules of the Exchange when conducting brokerage business; or

(4) is under any other circumstance where a remedy is deemed necessary by the Exchange.

If the member fails to take corrective actions within the specified time frame, the Exchange has the right to adopt disciplinary measures ranging from temporarily suspending its non-complying activity to revoking its membership.

**Article 50** A member shall preserve the Exchange’s reputation, assist the Exchange in handling and resolving an emergent or irregular event. Any member who fails to take measures in response to various emergencies or irregular events with respect to the customer(s) concerned may face suspension by the Exchange of the non-complying activity or activities concerned.

**Article 51** Upon the Exchange’s request, a member shall attend the events and conferences organized by the Exchange. A prior consent from the Exchange shall be obtained when such attendance is impossible for cause.

**Article 52** The traders of a member who engage in trading, delivery, and settlement activities on or through the Exchange shall have been authorized by such member, passed the Exchange’s training program and obtained relevant qualification certificates. A trader shall be employed by only one member at a time and shall not work on a part-time basis for any other member concurrently.

The member shall be fully liable for the business activities conducted by its traders on or through the Exchange.

**Article 53** The Exchange may inspect and supervise the proprietary and brokerage business of a member on a regular or *ad hoc* basis.

**Article 54** The authorization to a trader by a member shall automatically become void upon transfer, succession or termination of membership.

**Article 55** Unless authorized and approved by the Exchange, a member shall not make use of the logo or name of the Exchange in its business operations. The Exchange may require any member detected with such unauthorized use to make correction within a specified time period.

**Article 56** The Exchange disciplines violations of the members in accordance with the *Articles of Association of the Shanghai Gold Exchange* and the *Enforcement Rules of the Shanghai Gold Exchange*.

**Article 57** The Exchange may adopt implementing rules and any other administration rules specific to different types of Special Membership...
applicable to the day-to-day management of Special Members.

Chapter VI Supplementary Provisions

Article 58 These Measures are written in Chinese. In case of any discrepancy between different Chinese versions or between the Chinese version and any translated version thereof, the latest Chinese version shall prevail. In addition, in connection with any business-related document, agreement, contract or other instrument entered into between a member and the Exchange, the Chinese version shall prevail in case of any discrepancy between the latter and any other translated version.

Article 59 Any matter relating to the business activities of a member relating to the Exchange shall be governed by the PRC laws.

Article 60 The Board shall reserve the right to interpret these Measures.

Article 61 These Measures shall come into effect as of the date of their promulgation.