

Rules of the Shanghai Gold Exchange on the Shanghai Gold Benchmark Price Trading

(Provisional Implementation)

Chapter I General Provisions

Article 1 The Rules of the Shanghai Gold Exchange on the Shanghai Gold Benchmark Price Trading (the “Rules”) are formulated pursuant to the Articles of Association of the Shanghai Gold Exchange, the Spot Trading Rules of the Shanghai Gold Exchange and other applicable rules to regulate the Shanghai Gold Benchmark Price Trading and protect the lawful rights and interests of market participants. The Shanghai Gold Benchmark Price Trading is subject to the supervision and regulation of the People’s Bank of China.

Article 2 The Shanghai Gold Exchange (the “Exchange” or “SGE”) regulates the Shanghai Gold Benchmark Price Trading and its related clearing, settlement and delivery activities in accordance with the principles of transparency, equitableness, justice and integrity.

Article 3 The term “the Shanghai Gold Benchmark Price Trading” is a centralized pricing process that involves the issuance of various prices as per the corresponding buy and sell orders so that, by the end of multiple rounds of the trading process, the total buying volume and selling volume reach a relative balance and the orders are then matched and executed at the price, the Shanghai Gold Benchmark Price.

Article 4 All the SGE members and customers, certified vaults and certified settlement banks as well as their employees authorized by the Exchange for the Shanghai Gold Benchmark Price Trading must abide by the Rules.

Chapter II Participants

Article 5 Shanghai Gold Benchmark Price Trading is open to any member or customer so approved by the Exchange. To request for such approval, the member or customer shall file with the Exchange an application form (attached hereto as Annex 1). Application form from a customer shall be submitted by the member of the Exchange.

Article 6 Shanghai Gold Benchmark Price Trading is supported by a system of Fixing Members and Reference Price Members. Fixing Member is an institution that is obligated to provide reference prices within the designated time period before the start of a centralized pricing-trading session and to assume the responsibility of balancing the buying and selling volumes in connection with centralized pricing-trading. Reference Price Member is an institution that is obligated to provide a reference price for the first round of a centralized pricing-trading session within the designated time period before the start of centralized pricing-trading.

- Article 7** Qualification for Fixing Membership and Reference Price Membership shall be subject to the review and approval of the Exchange.
- Article 8** Any institution that applies to become a Fixing Member must:
1. be a financial institution;
 2. have a registered capital or net assets of RMB 100 million or equivalent;
 3. have a good business reputation and operating history with no record of violation of the law within the most recent two years;
 4. possess a sound organizational system and account management system, as well as a good system for internal control and risk management;
 5. be an active trader with SGE or at the international gold market;
 6. abide by the rules of the Exchange; and
 7. satisfy other conditions prescribed by the Exchange.
- Article 9** Any financial institution satisfying the requirements listed under Article 8 and applying to become a Fixing Member shall submit the following qualification materials to the Exchange:
1. a written application letter for the Fixing Membership;
 2. audited financial report of the most recent year;
 3. documents describing the risk control measures it has in place for the Shanghai Gold Benchmark Price Trading;
 4. documents attesting that it has not violated the law in the most recent two years; and
 5. other documents and information required by the Exchange.
- Article 10** Any institution that applies to become a Reference Price Member must:
1. be a leading producer or consumer in the gold industry;
 2. have a registered capital or net assets of RMB 50 million or equivalent;
 3. have an good business reputation and operating history with no record of violation of the law within the most recent two years;
 4. have been an active trader with SGE or at the international gold market;
 5. be involved in the production, processing, trading, or investment of physical gold;
 6. abide by the rules of the Exchange; and
 7. satisfy other conditions prescribed by the Exchange.
- Article 11** Any institution satisfying the requirements listed under Article 10 and applying to become a Reference Price Member shall submit the following qualification materials to the Exchange:

1. a written application letter for the Reference Price Membership;
2. audited financial report of the most recent year;
3. documents attesting that it has not violated the law in the most recent two years; and
4. other documents and information required by the Exchange.

Article 12 Fixing Members and Reference Price Members shall have the following rights and obligations:

1. Must abide by the rules of the Exchange;.
2. Fixing Members must provide market reference price at the designated time before the start of centralized pricing-trading, and must assume the trading volume assigned to it as a result of Volume Imbalance; Fixing Members may submit Tendering Volumes during supplementary tendering sessions;
3. Reference Price Members must provide market reference price at the designated time before the start of centralized pricing-trading; and
4. Other rights and obligations specified by the Exchange.

Article 13 The Exchange shall issue acceptance or rejection within 20 business days after receiving the application.

Article 14 The Exchange will review the suitability of its Fixing Members and Reference Price Members annually, and shall have the right to adjust the members according to the findings from such reviews.

Article 15 Any Fixing Member or Reference Pricing Member who intends to terminate its membership must submit a written notice to the Exchange at least three months in advance.

Chapter III Trading

Article 16 The deliverable gold of the Shanghai Gold Benchmark Price Trading shall be the physical gold ingots with minimum fineness of 999.9 and a standard weight of 1 kg.

Article 17 The trading code for the Shanghai Gold Benchmark Price Trading is SHAU. The quotation unit is in RMB/gram. The minimum price fluctuation is RMB 0.01/g. Trades shall be in multiple of lots, with each lot corresponding to 1 kg. The minimum tendering volume is 1 lot; the maximum tendering volume is 30,000 lots. T+2 delivery.

Relevant product specifications are detailed with Product Specifications for Shanghai Gold Benchmark Price Trading (attached hereto as Annex 2).

The specifications may be subject to change by announcements of the Exchange.

- Article 18** Centralized pricing-trading has two sessions, a morning pricing session begins at 10:15 a.m., and an afternoon pricing session begins at 2:15 p.m. When the buying and selling volumes in a particular session reach a relative balance, the Shanghai Gold Benchmark Price is produced and released to the public.
- Article 19** Any tendering volume in a particular session shall be valid for that session only.
- Article 20** The Shanghai Gold Benchmark Price Trading has no price limits.
- Article 21** The Shanghai Gold Benchmark Price Trading is traded on margin basis subject to announcements of the Exchange.
- Article 22** Each session of centralized pricing-trading (a “centralized pricing-trading session”) consists of the following three phases: (1) calculation and announcement of an offered price (the “Offered Price”) for the start of the current session (the “Initial Price”) by the Shanghai Gold Benchmark Price Trading System based on the reference prices submitted by Fixing Members and Reference Price Members; (2) tendering of intended buying or selling volumes (the “Tendering Volume”) by members and customers in response to the Initial Price and / or other Offered Prices as adjusted; and (3) formation of the Shanghai Gold Benchmark Price, whereupon all valid orders tendered in at this price are matched and executed.
- Article 23** During the designated time period before the start of a morning pricing session or afternoon pricing session, each Fixing Member and Reference Price Member shall provide a reference price for such session to the Exchange through its trading terminal.
- Article 24** The Initial Price is determined by the following three computation methods of descending precedence: (1) all Fixing Members and Reference Price Members will first issue reference prices within the designated time period. If 50 percent or more of them have issued such a price, the Exchange will discard the highest and lowest, and use the arithmetic mean of the remaining reference prices as the Initial Price for the first round of the current centralized pricing-trading session; (2) if less than 50 percent of the pool of Fixing Members and Reference Price Members have issued a reference price, the Exchange will consider the reference prices so issued to be invalid for the current session and will instead compute the arithmetic mean of all the execution prices for the Au9999 spot gold product traded within the time period for the submission of reference prices and set that average as the Initial Price; and lastly (3) in the event that, within the time period for the submission of reference prices, Au9999 did not produce any valid execution price, then the Shanghai Gold Reference Price from the previous session shall be set as the Initial Price for the current session.

Article 25 Each cycle of Tendering Volume phase is divided into two count-down periods, namely, a market tendering session and a supplementary tendering session. Members and customers subject to Article 5 of these Rules may submit Tendering Volumes in the market tendering session; Fixing Members may submit Tendering Volumes in both sessions.

Each market tendering session and the immediately following supplementary tendering session form one round. For the first round, the market tendering session and supplementary tendering session shall have time limits of 60 seconds and 10 seconds, respectively; for all subsequent rounds, the market tendering session and supplementary tendering session shall have time limits of 30 seconds and 10 seconds, respectively.

Article 26 In each round of Tendering Volume phase, members and customers may tender their intended buying volumes or selling volumes in response to the Initial Price or Offered Price, as appropriate, of the current round.

Article 27 The term “Volume Imbalance” in Shanghai Gold Benchmark Price Trading refers to the weight difference in kilograms between tendered buying volume and tendered selling volume. The Shanghai Gold Benchmark Price is determined, and all corresponding tendered orders matched and executed, when the Volume Imbalance is equal to or less than the trading threshold, the value of which shall be subject to announcements of the Exchange.

Article 28 Between any two rounds of a centralized pricing-trading session, members and customers shall be prohibited from reducing or canceling the volume they had tendered in the first of these two rounds if the Offered Price in the second round becomes more favorable to them.

Specifically, assuming a new round in a particular centralized pricing-trading session is started because the trading threshold was not met in the previous round, if the Offered Price for the new round is lower than that of the previous round, the trading system will automatically cancel all Tendering Volumes from sellers and at the same time prevent buyers from reducing or canceling their Tendering Volumes; if the opposite is true, the trading system will automatically cancel all Tendering Volumes from buyers and at the same time prevent sellers from reducing or canceling their Tendering Volumes.

Members or customers whose Tendering Volumes of the preceding round had been canceled by the trading system but accept the Offered Price of the current round are required to re-submit their Tendering Volumes.

Article 29 Tendering Volumes submitted by Fixing Members in any round’s supplementary tendering session may only reduce the Volume Imbalance from such round’s market tendering session; they shall not reverse the prevailing trading direction established by the buying/selling volumes in the market tendering session. Therefore, subject to the principle of time priority, any

Tendering Volume, as well as all subsequent Tendering Volumes, submitted during the supplementary tendering session that exceed the remaining Volume Imbalance from the market tendering session shall be invalid and discarded.

Article 30 If the Volume Imbalance after a supplementary tendering session is above the trading threshold for the execution of Shanghai Gold Benchmark Price Trading, the trading system will adjust the Offered Price based on the difference between the buying volume and the selling volume and initiate a new round of tendering of trading volumes at the adjusted Offered Price. In particular, the Offered Price will be lowered by the price adjustment if selling volume less buying volume is greater than the trading threshold, and raised by the price adjustment if buying volume less selling volume is greater than trading threshold.

Article 31 The first round of any centralized pricing-trading session is called round A; subsequent rounds are called round B, C, D, etc.

A “same direction movement” occurs if the Offered Price in round C is higher (or lower) than that in round B, which is in turn higher (or lower) than that in round A; a “reverse movement” occurs if the price in round C moves in the reverse direction of that of round B versus round A.

The price adjustment for round B shall be RMB 0.20/g if the Volume Imbalance in round A is between 400 lots (exclusive) and 2,000 lots (exclusive), RMB 0.30/g if the Volume Imbalance in round A is between 2,000 lots (inclusive) and 30,000 lots (exclusive), and RMB 0.40/g if the Volume Imbalance in round A is equal to or greater than 30,000 lots.

When the Offered Price in round C exhibits a same direction movement, the price adjustment for round C shall be identical to that of round B; when the Offered Price in round C exhibits a reverse movement, the price adjustment for round C shall be 50 percent of that of round B.

The foregoing rules apply to all subsequent rounds with the necessary changes. The Exchange shall reserve the right to adjust the above Volume Imbalances as well as the corresponding price adjustments in view of market conditions.

Range of Volume Imbalance in Round A (lot)	Price adjustment in round B (RMB / gram)	Price adjustment in round C under same direction movement (RMB / gram)	Price adjustment in round C under reverse movement (RMB / gram)
400 < Round A Volume Imbalance < 2,000	0.2	Same as round B	50% of that of round B
2,000 ≤ Round A Volume Imbalance < 30,000	0.3	Same as round B	50% of that of round B
Round A Volume Imbalance ≥ 30,000	0.4	Same as round B	50% of that of round B

- Article 32** If the Volume Imbalance after a supplementary tendering session concludes is still above the trading threshold for the execution of Shanghai Gold Benchmark Price Trading, the volumes tendered by Fixing Members in the supplementary tendering session will be converted into volumes to be automatically tendered in the market tendering session of the next round. Any cancellation of such Tendering Volume by Fixing Members shall be in compliance with Article 28 of these Rules.
- Article 33** If the Volume Imbalance after a supplementary tendering session concludes is within the trading threshold for the execution of Shanghai Gold Benchmark Price Trading, the current centralized pricing-trading session shall conclude and the Shanghai Gold Benchmark Price is determined.
- Article 34** At the conclusion of each centralized pricing-trading session, any remaining Volume Imbalance shall be divided equally among all Fixing Members. All valid orders tendered in the final round of the centralized pricing-trading session shall be executed at the Shanghai Gold Benchmark Price.
- Article 35** With respect to any particular centralized pricing-trading session, if no valid Tendering Volume was submitted in the first round of the session, the Shanghai Gold Benchmark Price for this session shall be the same as the Initial Price; if no Shanghai Gold Benchmark Price is otherwise produced from the session, the Shanghai Gold Benchmark Price for this session shall be the same as that of the immediately preceding centralized pricing-trading session.
- Article 36** The Exchange monitors trading activities and shall have the right to impose appropriate regulatory measures on any member or customer involved in abnormal trading activities.
- Article 37** The Exchange imposes a transaction fee on each member taking part in Shanghai Gold Benchmark Price Trading, the effective rate of which shall be subject to announcements of the Exchange.
- Article 38** The Shanghai Gold Benchmark Price Trading System publishes real-time Offered Prices, Tendering Volumes from the market tendering session and supplementary tendering session, Shanghai Gold Benchmark Prices, trading volumes, and other market data. The Exchange releases Shanghai Gold Benchmark Prices and related information through its website and other selected media channels soon after centralized pricing-trading sessions.

Chapter IV Clearing and Settlement

- Article 39** The Exchange performs centralized clearing, settlement and delivery for all executed orders from Shanghai Gold Benchmark Price Trading.
- Article 40** To enhance the utilization of funds and risk management, at the end of T+0 and using the Shanghai Gold Benchmark Price from the day's afternoon

pricing session as the settlement price for the Shanghai Gold Benchmark Price Trading product, the Exchange will calculate profits and losses each account has accrued from all its executed orders in both the morning and afternoon pricing sessions, and collect margin, at the specified rate, from the account holder based on its net position.

- Article 41** Net positions in the Shanghai Gold Benchmark Price Trading from T+0 shall be cleared and physically settled at the end of T+2 with the settlement price from T+0.
- Article 42** Executed orders from Shanghai Gold Benchmark Price Trading will be cleared along with trades in other SGE products under the same account. During the end-of-day clearing, the Exchange will clear and settle positions of each account in the order of price matching trades the first, Shanghai Gold Benchmark Price Trading the second, and inquiry trades the last.
- Article 43** Before the end-of-day clearing and settlement on T+2, a buyer shall have sufficient balance on its fund account, and the seller shall have sufficient physical gold on its bullion account; any violation of the foregoing constitutes a delivery default. If delivery default occurs, the Exchange shall collect from the defaulting party a penalty based on the quantity in default and the current penalty rate, then terminate the order in default. The effective penalty rate shall be subject to the announcements of the Exchange.
- Article 44** Where the balance of a defaulting party's clearing deposit is insufficient to cover the penalty, the Exchange may take further actions against the defaulting party pursuant to the Measures for the Administration of Risk Control of the Shanghai Gold Exchange.
- Article 45** Other clearing and delivery matters shall be regulated in reference to relevant provisions of the Detailed Clearing Rules of the Shanghai Gold Exchange and Detailed Rules for Physical Delivery of the Shanghai Gold Exchange.

Chapter V Compliance Requirements

- Article 46** Fixing Members and Reference Price Members must provide reference prices that are reasonable for the current market conditions and are prohibited from colluding or jointly manipulating the Initial Price.
- Article 47** Any trading volume tendered by a member or customer in each round of a centralized pricing-trading session must reflect the member or customer's genuine trading needs. All members and customers are prohibited from false trading and from disrupting or interrupting the centralized pricing process or market order.
- Article 48** Each member must completely separate its proprietary Shanghai Gold Benchmark Price Trading from its brokerage Shanghai Gold Benchmark Price

Trading, with each managed by a separate trading team. There should be a firewall between its proprietary business and brokerage business.

- Article 49** Each member must put the interests of its customers before its own interests whenever a conflict between the two exists.
- Article 50** No member is permitted to use any insider information, including the buy and sell orders for Shanghai Gold Benchmark Price Trading placed by its customers, in its proprietary trading.
- Article 51** Each member's risk control division and relevant staff must monitor Shanghai Gold Benchmark Price Trading in real-time and conduct on-site inspections on such trading activities from time to time.
- Article 52** During centralized pricing-trading sessions, all communications and external contacts by Fixing Members and Reference Price Members must be transmitted via equipment with recording functions. Such communication and contact records must be retained, managed by dedicated staff, and subject to non-periodic inspections.
- Article 53** Any action, including price manipulation, pre-arranged trading, and placing buy and sell orders alternately in the same trading session in breach of good faith, that disrupts the market or constitutes deceptive or fraudulent trading activity, whether performed by a single entity or a group in collusion, is strictly prohibited.
- Article 54** Each member and customer participating in Shanghai Gold Benchmark Price Trading must have a sophisticated record retention system for keeping compliance and trading records. Proprietary trading records shall be kept separate from brokerage trading records. All records must be retained for a minimum of five years.
- Article 55** With respect to any SGE member, all of its staff members participating in Shanghai Gold Benchmark Price Trading shall receive pre-assignment training to acquire a complete understanding of the rules and operational procedures for trading such product.
- Article 56** Industry professionals from major market participants, the Exchange and gold industry associations will form a Shanghai Gold Benchmark Price Trading Oversight Committee, in charge of the supervision and administration of compliance-related issues of Shanghai Gold Benchmark Price Trading.
- Article 57** The Exchange shall have the right to from time to time check the level of compliance of its market participants and to issue verbal warning, written warning, or notice of reprimand to, or to revoke the relevant trading privileges of, any market participant found to have violated or have failed to meet the compliance requirements of Shanghai Gold Benchmark Price Trading.

Chapter VI Disposition of Violations and Defaults

Article 58 Any market participant who has violated relevant trading rules or disrupted the market order will be punished in accordance with Article 27 of the Enforcement Rules of the Shanghai Gold Exchange.

Article 59 The Exchange shall have the right to terminate a Fixing Member or Reference Price Member of its status if such member is found to have:

1. colluded or jointly manipulated the Initial Price;
2. influenced or manipulated the market price or deliberately disrupted the centralized pricing process and market order;
3. failed to comply with risk warning requirements of the Exchange; or
4. committed any other violation that warrants the termination of its SGE membership as stipulated by the Measures for the Administration of Membership of the Shanghai Gold Exchange.

Article 60 A member will be punished in accordance with Article 18 of the Enforcement Rules of the Shanghai Gold Exchange if, as broker for one of its customers, it is found to have:

1. failed to segregate funds in its proprietary account from customer funds;
2. used customer account to trade for itself or another third party;
3. divulged customer requests or other trade secrets;
4. conducted trade on customer's behalf without following its specific requests; deliberately blocked, delayed, or altered customer orders; induced or coerced customer to trade with a view to advance the member's own interests; or
5. performed any action that violates the rules of the Exchange regarding members' brokerage services.

Article 61 The Exchange shall have the right to punish in accordance with the Enforcement Rules of the Shanghai Gold Exchange any participant who has violated other regulations or failed to perform its obligations.

Chapter VII Supplementary Provisions

Article 62 Matters not explicitly provided for under these Rules shall be governed by other applicable rules of the Exchange.

Article 63 The Exchange shall reserve the right to interpret and revise these Rules.

Article 64 These Rules shall come into effect as of the date of their promulgation.

Annex 1

Application Form for Shanghai Gold Benchmark Price Trading

Member Information					
Name	<input type="checkbox"/>	Code	<input type="checkbox"/>		
Contact person	<input type="checkbox"/>	Telephone	<input type="checkbox"/>		
Applicant (Customer) Information					
<input type="checkbox"/> Proprietary account			<input type="checkbox"/> All brokerage accounts		
Name	<input type="checkbox"/>	Code	<input type="checkbox"/>	Type of business	<input type="checkbox"/>
Request					
Access to Shanghai Gold Benchmark Price Trading <input type="checkbox"/> Yes <input type="checkbox"/> No					
Undertakings					
<p>We, the undersigned, warrant that:</p> <ol style="list-style-type: none"> 1. All information contained in this application form is true and accurate. 2. We will strictly abide by all trading and business rules of Shanghai Gold Benchmark Price Trading. 3. We will not influence or manipulate the market price. We will actively maintain market order and trading order. 					
Signature & Seal:				Date:	
Member Review			SGE Approval		
Review decision:			Approval decision:		
Signature & Seal:			Signature & Seal:		
Date:			Date:		
<p>Instructions:</p> <ol style="list-style-type: none"> 1. This form is to be filled out by an SGE member. If this request is for proprietary account or all brokerage accounts, mark the appropriate checkbox. If this request is for an individual customer, then detailed customer information is required. For "Type of business," fill in "gold producer," "gold consumer," "refiner," "financial," "investment," "commerce," or "others," as appropriate. 2. The "Undertakings" section should be confirmed by the signature and official seal of the applying customer or the signature and official seal of the member on behalf of the customer. 3. The member is responsible for performing the preliminary review of the business capacities of the customer, and for managing the subsequent trading activities and risks of the customer. 4. This form should be faxed to 021-33662160, with the original copy sent to the Trading Department of the Shanghai Gold Exchange by postal mail. International Members should submit this form to Shanghai International Gold Exchange, who will forward the form to the Trading Department. 					

Annex 2

Contract Specifications for Shanghai Gold Benchmark Price Trading

Item	Specification
Trading Product	Gold
Trading Code	SHAU
Quotation Unit	RMB / gram
Trading Method	Centralized pricing trading
Trading Unit	1 kg / lot
Minimum Price Fluctuation	RMB 0.01 / gram
Daily Price Limit	No limit
Minimum Quotation Size	1 lot
Maximum Quotation Size	30,000 lots
Matching Method	By volume
Trading Threshold	400 kg
Minimum Trading Margin	6%
Transaction Fee	No commission fee required before June 30 , 2016
Starting Time for Trading	Morning pricing session: 10:15 a.m. Afternoon pricing session: 2:15 p.m.
Reference Price Submission Window	Morning pricing session: 10:09 – 10:14 a.m. Afternoon pricing session: 2:09 – 2:14 p.m.
Time Limit For Each Round of Tendering	First round: 60 seconds for market tendering session + 10 seconds for supplementary tendering session Thereafter: 30 seconds for market tendering session + 10 seconds for supplementary tendering session
Clearing Method	Delivery versus payment
Settlement Method	Physical settlement
Delivery Day	T+2
Deliverable Ingots	Gold ingots recognized by the SGE with a standard weight of 1 kg and a fineness of no less than 999.9
Quality Standard	Physical gold produced in compliance with SGE gold ingot quality standard SGEB1-2002 by SGE Standard Gold Ingots and Bars Delivery refiners, or standard physical bullions produced by LBMA accredited Good Delivery refiners
Delivery Vault	Certified Vaults designated by the Exchange
Delivery Fee	0
Penalty Rate	Same as trading margin
Listing Date	April 19, 2016