

Measures for the Administration of Price Asking Options Trading of the Shanghai Gold Exchange (Trial Implementation)

Chapter I General Provisions

Article 1 These *Measures for the Administration of Price Asking Options Trading of the Shanghai Gold Exchange (Trial Implementation)* (these “*Measures*”) are formulated pursuant to the *Opinions on the Promotion of Development of the Gold Market* (Yin Fa [2010] No. 211), the *Rules on Supervision of Business Activities of the Shanghai Gold Exchange* (Yin Fa [2011] No. 93), the *Articles of Association of the Shanghai Gold Exchange*, the *Trading Rules for Price Asking Transactions of the Shanghai Gold Exchange*, and other related rules to regulate price asking transactions and protect the lawful rights and interests of market participants.

Article 2 In the context of these *Measures*, the term “price asking options trading of the Shanghai Gold Exchange” (“price asking options trading”) refers to transactions involving options registered and exercised through the SGE Price Asking System of the Shanghai Gold Exchange (the “Exchange” or the “SGE”) by qualified market participants.

Article 3 Any option-related terminology herein shall be interpreted in accordance with the *Essential Terminologies of China’s OTC Gold Derivatives Trading*.

Chapter II Bullion Products

Article 4 The bullion products that are subject of price asking options trading include OAu9999 and OAu9995; such options will be European-style options, with the spot or forward PAu9999 products and the spot or forward PAu9995 products as their respective products to be purchased or sold upon exercise of the options (“exercise product”).

Article 5 Any OAu9999 option or OAu9995 option shall be settled by physical delivery or cash settlement on its settlement date. The reference price for any cash-settled option must be a price generated on the Exchange. The reference price date shall be no later than the expiry date; where the reference price is generated after the exercise cut-off time, the reference price date shall be earlier than the expiry date.

Article 6 The trading unit of any option (i.e., weight of each lot) shall be consistent with that of the exercise product of the option.

Article 7 Any addition or adjustment to the bullion products and specifications related thereto shall be executed per the Exchange's announcements.

Chapter III Market Entry

Article 8 Any market participant admitted to trading in a specific exercise product may participate in the price asking options trading on the bullion product subject of that exercise product.

Article 9 A customer shall engage in price asking options trading through its carrying member. A member shall impose admission requirements on its customers that intend to participate in price asking options trading.

Article 10 Any member that engages in brokerage businesses shall develop sound internal management rules and regulations for its brokerage businesses and implement risk management and control measures.

Article 11 Any member who engages in either proprietary or brokerage price asking options trading shall complete the registration and exercise of options through the Exchange. Order bucketing is prohibited.

Article 12 Each member shall be responsible for performing its obligations in connection with any proprietary options trade. Each customer shall be responsible for performing its obligations of any options trade entered into on its behalf. The Exchange will not succeed to any rights or obligations of any trading party under such trade.

Chapter IV Registration and Exercise of Options

Article 13 After an option trade is entered into between two parties, the carrying members of the parties shall submit an *SGE Request Form for the Registration of Price Asking Options Trade* (attached hereto as Annex 1) stamped with their official seals to the Exchange. The Exchange shall register such transaction upon the validation of the request.

Article 14 After an option trade is concluded, the parties thereto shall be responsible for settling any premiums.

Article 15 The buyer of any option registered at the Exchange shall have the right to exercise the option before its exercise cut-off time on its expiry date. To exercise the option, the buyer shall submit an *SGE Notice of Exercising Price Asking Options* (attached hereto as Annex 2) stamped with its official seal to the Exchange and notify the option seller before the exercise cut-off time. The

exercise cut-off time as agreed by the buyer and the seller shall not be later than 3:00 p.m. Beijing time.

- Article 16** If any buyer does not exercise an option before its exercise cut-off time on its expiry date but later reaches an agreement on its exercise with the seller, then the buyer and the seller shall submit an *SGE Notice of Exercising Price Asking Options* stamped with their respective official seals to the Exchange no later than 3:00 p.m. on the newly-agreed settlement date.
- Article 17** If a call or put option settled by physical delivery is exercised, the Exchange will, after validating the information on the corresponding *SGE Notice of Exercising Price Asking Options*, create a spot or forward transaction settled by physical delivery for the exercise product in the SGE Price Asking System. In such a transaction, the buyer shall be the buyer of the call option or the seller of the put option, the seller shall be the seller of the call option or the buyer of the put option, the price shall be the strike price of the option, the quantity to be traded shall be the weight of bullions subject of the option divided by the trading unit of the exercise product, and the maturity date shall be the option's settlement date.
- Article 18** If a cash-settled call or put option is exercised, the Exchange will, after validating the information on the corresponding *SGE Notice of Exercising Price Asking Options*, create a cash-settled and SGE-cleared spot or forward transaction for the exercise product in the SGE Price Asking System. In such a transaction, the buyer shall be the buyer of the call option or the seller of the put option, the seller shall be the seller of the call option or the buyer of the put option, the price shall be the strike price of the option, the quantity to be traded shall be the weight of bullions subject of the option divided by the trading unit of the exercise product, the maturity date shall be the option's settlement date, the reference price shall be set to manual input and shall be the reference price of the option.
- Article 19** Any transaction in a specific exercise product created from the exercise of an option shall be included in the centralized clearing and delivery of all transactions in the exercise product.
- Article 20** If the parties to an option trade agree to cancel a registered option, each of them shall file a written request to the Exchange specifying such information as the reason for such cancellation, the registration number of the option to be canceled, and the requester's member code. The cancellation shall be processed by the Exchange in accordance with applicable procedures.

Article 21 If the parties to an option trade agree to change the terms of a registered option, each of them shall file a written request to the Exchange specifying such information as the reason for such change, the registration number of the option to be changed, the requester's member code, and the original and updated terms. The change shall be processed by the Exchange in accordance with applicable procedures.

Article 22 The Exchange exempts members from option registration fees for the time being; but shall collect Transaction Fees from a member on any transaction of an option's exercise product created as a result of the member exercising the option, at a fee rate applicable to such exercise product. A member may collect brokerage fees from its customer in accordance with the brokerage agreement it has entered into with the customer.

Article 23 If the settlement date or the expiry date for a price asking option trade or the reference price date of a cash-settled option falls on a day the Exchange is closed, then the actual settlement date, expiry date, or the reference price date shall be postponed to its immediately following trading day.

Chapter V Information Disclosure

Article 24 The Exchange is responsible for the daily collection of market data and information disclosure for price asking options trading.

Article 25 No market participant is permitted to disclose any trading information obtained during the course of its participation in a price asking option trade or any other non-public information without the prior written consent of the parties to the transaction, unless such disclosure is required by laws, regulations, or competent authorities.

Each member shall keep confidential any secret of its customers pertaining to their trades.

Chapter VI Transaction Monitoring

Article 26 The Exchange is responsible for the daily monitoring of price asking options trading and reporting such trading information to the People's Bank of China.

Article 27 Where the Exchange deems that an irregularity has occurred in a price asking option trade, the member(s) concerned shall promptly give an explanation with regard to such irregularity per the Exchange's requirement.

Article 28 Any market participant may report any violation that it believes to have occurred during its price asking options trading to the Exchange. The Exchange may, as necessary, ascertain and verify the details of such allegation with the

parties concerned. Any party which has committed a violation shall be required to make rectifications and be given a notice of reprimand, or, in case of a serious violation, its qualification for price asking transactions shall be revoked.

Article 29 If any market participant disrupts the market order, seeks illegal gains, or commits any other abnormal act, the Exchange shall take appropriate actions in accordance with the *Enforcement Rules of the Shanghai Gold Exchange*.

Chapter VII Supplementary Provisions

Article 30 Any matter not covered herein shall be governed by the relevant rules of the Exchange.

Article 31 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.

Article 32 The Exchange shall reserve the right to interpret these *Measures*.

Article 33 These *Measures* shall come into effect on the launch date of price asking options trading.

Annex 1

SGE Request Form for the Registration of Price Asking Options

Transaction date		Registration date	
Option buyer information		Option seller information	
Member code		Member code	
Member name		Member name	
Customer code		Customer code	
Customer name		Customer name	
Transaction Details			
Bullion product	<input type="checkbox"/> OAu99.99 <input type="checkbox"/> OAu99.95 <input type="checkbox"/> Others _____		
Option style	European option	Option type	<input type="checkbox"/> call option <input type="checkbox"/> put option
Weight	_____ kg	Type of settlement	<input type="checkbox"/> physical delivery <input type="checkbox"/> cash settlement
Quantity (in lots)	_____ lots	Strike price	_____ yuan/g
Expiry date		Exercise cut-off time	_____ Beijing time
Settlement date			
Type of reference price for cash-settled option			
Date of reference price for cash-settled option			
Premium amount		Premium payment date	
Member information			
Contact person of the buyer's carrying member		Contact person of the seller's carrying member	
Telephone number of the buyer's carrying member		Telephone number of the seller's carrying member	
Official seal		Official seal	

SGE Confirmation Slip for the Registration of Price Asking Option Trade

The SGE has registered this option trade with its registration number as _____.

Official seal:

Date:

SGE Notice of Exercising Price Asking Options

Transaction date		Registration number	
Option buyer information		Option seller information	
Member code		Member code	
Member name		Member name	
Customer code		Customer code	
Customer name		Customer name	
Transaction Details			
Bullion product	<input type="checkbox"/> OAu99.99 <input type="checkbox"/> OAu99.95 <input type="checkbox"/> Others _____		
Option style	European option	Option type	<input type="checkbox"/> call option <input type="checkbox"/> put option
Weight	_____ kg	Type of settlement	<input type="checkbox"/> physical delivery <input type="checkbox"/> cash settlement
Quantity (in lots)	_____ lot(s)	Strike price	_____ yuan/g
Expiry date		Exercise cut-off time	_____ Beijing time
Settlement date			
Type of reference price for cash-settled option			
Date of reference price for cash-settled option			
Premium amount		Premium payment date	
Exercise Information			
Code of buying member in the exercise transaction		Code of selling member in the exercise transaction	
Code of buying customer in the exercise transaction		Code of selling customer in the exercise transaction	
Exercise product	<input type="checkbox"/> PAu9999 <input type="checkbox"/> PAu9995 <input type="checkbox"/> Others _____		
Quantity (in lots)	_____ lot(s)	Price	_____ yuan/g
Maturity date		Mode of delivery	<input type="checkbox"/> physical delivery <input type="checkbox"/> cash settlement
Reference price for cash-settled exercise transaction	_____ yuan / g		
Note			
Member Information			
Contact person of the buyer's carrying member		Contact person of the seller's carrying member	
Telephone number of the seller's carrying member		Telephone number of the seller's carrying member	
Official seal		Official seal	