

Trading Rules for Price Asking Options of the Shanghai Gold Exchange

Chapter I General Provisions

- Article 1** These *Trading Rules for the Price Asking Options of the Shanghai Gold Exchange* (these “*Trading Rules*”) are formulated pursuant to the *Opinions on the Promotion of the 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** For the purposes of these *Trading Rules*, the term “price asking options trading” shall mean the buying and selling of options through a bilateral price asking process on or through the Shanghai Gold Exchange (the “Exchange” or the “SGE”) by market participants recognized by the Exchange.
- Article 3** These *Trading Rules* shall be applicable to all price asking options trading activities on or through the Exchange. The Exchange, all its members and their customers, all Certified Vaults, Settlement Banks and their staff must abide by these *Trading Rules*.

Chapter II Products

- Article 4** The term “price asking options product” refers to any standard product, uniformly created by the Exchange, in which, once the two trading parties agree to enter into through a bilateral price asking process, the buyer shall have the right to purchase or sell a specified number of spot price asking products from or to the seller at an agreed-upon price and at specified times and the seller shall be obligated to fulfill the corresponding transaction.
- Article 5** The main specifications of a price asking options product include, among others, trading code, underlying product, tenor of underlying product, option style, option type, product size, quotation unit, minimum price fluctuation, trading hours, closing hours, exercising hours, settlement method, and transaction fees.
- Article 6** The trading codes of price asking options products include “OAU99.99” and “OAU99.95”. Their respective specifications are detailed under Schedule 1 – *Specifications of SGE Price Asking Options Products*.

- Article 7** The underlying products of price asking options are the spot price asking products listed and traded on or through the Exchange.
- Article 8** Price asking options products can be classified by option style into European options and American options.
- A buyer of European option may only exercise the option on its expiry date.
- A buyer of American option may exercise the option on its expiry date or any trading day before the expiry date.
- Article 9** Price asking options products can be classified by option type into call options and put options.
- A buyer of call option has the right to buy a specified number of spot price asking product from the seller at an agreed-upon strike price at specified times.
- A buyer of put option has the right to sell a specified number of spot price asking product to the seller at an agreed-upon strike price at specified times.
- Article 10** Price asking options products can be classified by settlement method into physical delivery options and cash settlement options.
- The underlying product of physical delivery options is a spot price asking product earmarked for physical settlement, i.e., the spot price asking trade resulting from exercising such an option will proceed to physical delivery at clearing.
- The underlying product of cash settlement options is a spot price asking product earmarked for cash settlement, i.e., the spot price asking trade resulting from exercising such an option will be settled by cash on a net basis.
- Article 11** The product size (i.e., the size of each lot in weight unit) of a price asking options product is identical to that of its underlying product.
- Article 12** The quotation unit of both the premium and strike price of a price asking options product is identical to that of its underlying product.
- Article 13** Any addition or adjustment to price asking options products and their specifications shall be subject to announcements of the Exchange.

Chapter III Market Access

- Article 14** A market participant may participate in the trading of a price asking option if it is permitted to trade in the corresponding underlying product.
- Article 15** Any customer who trades price asking options shall do so through its carrying member, who shall enforce all applicable market access rules concerning price asking options trading with respect to such customer.
- Article 16** Any member that provides price asking options trading services to its customers shall establish sound internal management rules and implement risk control measures for such services.
- Article 17** Both proprietary trading and brokerage of price asking options shall be conducted on or through the Exchange. Order bucketing is prohibited.
- Article 18** Each member shall be responsible for performing the obligations of its proprietary trades in price asking options. Each customer shall be responsible for performing the obligations of its price asking options trades entered into by its carrying member on its behalf. The Exchange shall not be obligated to succeed to any rights and obligations of the two trading parties under an options trade.

Chapter IV Trading

- Article 19** The two parties to a price asking options trade shall agree upon and confirm the terms of the trade through the price asking trading system provided by the Exchange (the “SGE Price Asking System”).
- Article 20** The terms of physical delivery price asking options trade include the option product, option style, option type, quantity, strike price, settlement date, settlement method, and premium. The terms of cash settlement price asking options trade include all the foregoing terms plus the type of reference price and adjustment to reference price.
- Article 21** The expiry date of a price asking option is the Nth trading day preceding its settlement date, where N represents the tenor of the underlying product for such price asking option.
- Article 22** The transaction record generated by the SGE Price Asking System after two parties enter into a trade shall constitute the written record that confirms the terms of such trade.

Article 23 Premium relating to any price asking option traded before 4:00 p.m. on any particular trading day shall be paid at clearing on the same day; premium relating to any price asking option traded after 4:00 p.m. on any particular trading day shall be paid at clearing on the immediately following trading day.

Article 24 The two parties to any unexercised options product may agree to close the product during the closing hours of any trading day before or up to the expiry date. The closing premium resulting therefrom shall be determined and agreed upon by the two parties.

Such closing premium shall be paid at the time of clearing on the closing date, along with any premium relating to the opening of such options product if it was yet to be paid when the product was closed.

Article 25 Emergency trading events shall be managed in reference to relevant provisions of the *Measures for the Administration of Emergency Transactions of the Shanghai Gold Exchange*.

Chapter V Exercising

Article 26 With respect to any price asking option whose premium has been paid but is not yet closed-out, the buyer of the option may elect to exercise the option within the specified time window via the SGE Price Asking System and shall timely notify the seller of its decision.

A buyer of European option may only exercise the option within the exercising hours on its expiry date.

A buyer of American option may exercise the option within the exercising hours on either its expiry date or any trading day before the expiry date.

Article 27 Once a price asking call option or put option is exercised, the SGE Price Asking System will automatically generate a spot trade in the underlying product of the option (the “Exercise Trade”) for which the buyer shall be the buyer of the call option or the seller of the put option, as the case may be, and the seller shall be the seller of the call option or the buyer of the put option, as the case may be. Its price shall be the strike price of the option; its quantity shall be the quantity of such option being traded in the transaction, and its maturity date shall be the Nth trading day after the exercise date, where N represents the tenor of the underlying product of the option.

Article 28 Where a physical delivery option is exercised, the corresponding Exercise Trade shall also be settled by physical delivery.

Article 29 Where a cash settlement option is exercised, the corresponding Exercise Trade shall also be settled by cash and rules regarding the fixing of its reference price-related terms shall be governed by Schedule 2 – *SGE Rules on Fixing Reference Price-Related Terms for Exercise Trade of Cash Settlement Price Asking Options*.

Article 30 Any addition or adjustment to the type of reference price of a cash settlement price asking option and rules on the fixing of reference price-related terms of the corresponding Exercise Trade shall be subject to announcements of the Exchange.

Chapter VI Clearing and Delivery

Article 31 The Exchange shall, at the end-of-day clearing after 4:00 p.m. of each trading day, clear on a net basis all premiums and closing premiums due on the current day. Premiums shall be paid by options buyers to options sellers; closing premiums shall be paid by options sellers to options buyers.

Article 32 Each payer of premium or closing premium shall ensure that its designated margin account has sufficient amount of funds available before the time of clearing for the payment. In the event that a default occurs due to shortfall in funds for one or multiple premium or closing premium payments, the Exchange will not take any further action than to notify the respective carrying members of the two trading parties of the default so that the trading parties may resolve the issue through negotiations, except that, in the case of shortfall of funds by an International Member, the Shanghai International Gold Exchange (“SGEI”) will, at clearing, advance additional funds to the International Member so as to allow the International Member to fulfill its premiums and closing premiums obligations and allow such premiums and closing premiums to be cleared as normal. In such a case, the International Member must ensure its account has sufficient balance to repay the funds advanced by SGEI before market opens on the immediately following trading day. Any International Member who fails to comply with the foregoing shall be punished in accordance with the *Measures for the Administration of Risk Control of the Shanghai Gold Exchange* and the *Measures for the Administration of the Business Activities of the Shanghai International Gold Exchange Co., Ltd.*

Article 33 Where a customer has deposited sufficient amount of funds into the designated account by the time agreed with its carrying member (other than an International Member), but the balance on the carrying member’s brokerage margin account is insufficient so that the Exchange’s system determines a default has occurred on the payment of one or multiple premiums or closing premiums relating to trades by the customer, such carrying member shall be

liable to duly compensate for the default in accordance with the brokerage agreement it has entered into with the customer for price asking transactions.

Article 34 Where a customer fails to deposit sufficient amount of funds into the designated account by the time agreed with its carrying member (other than an International Member), the carrying member may, before 4:00 p.m. on each trading day, submit an *SGE Filing Form for Default on Premiums of Price Asking Options* (Schedule 3) that is affixed with its official seal to the Exchange. The Exchange will mark and process the nonpayment of premium(s) or closing premium(s) due to the customer's shortfall on funds as default according to the details filed by the carrying member.

Article 35 Processes such as clearing and delivery for the spot trade of the underlying product generated from the exercise of an option shall be governed by the *Trading Rules for Price Asking Transactions of the Shanghai Gold Exchange* and *Detailed Trading Rules for Price Asking Transactions of the Shanghai Gold Exchange*.

Article 36 The Exchange shall charge a transaction fee on the opening and closing of price asking options products, and a separate transaction fee on any Exercise Trade from the exercise of an option. The rates for such transaction fees may be adjusted in consideration of market conditions by the Exchange via announcements.

Each member may collect a brokerage commission on such transactions from the concerned customer in accordance with the brokerage agreement it has entered into with the customer.

Article 37 Where the settlement date or premium payment date of a price asking options trade falls on a non-business day of the Exchange, the actual settlement date or premium payment date will be postponed to the next trading day. The expiry date of any price asking options trade shall be fixed to the Nth trading day preceding the settlement date, where N represents the tenor of the underlying product for such price asking option.

Chapter VII Disposal of Defaults and Irregularities

Article 38 With respect to any nonpayment of premium or closing premium that is determined by the Exchange's system as a default, the non-defaulting party may request for repayment of the premium or closing premium by writing to the Exchange.

Article 39 Any member that intends to request for repayment of premium and closing premium shall file with the Exchange an *SGE Request Form for Repayment of*

Premiums of Price Asking Options (Schedule 4) affixed with its official seal before 3:30 p.m. of the intended date of repayment.

Article 40 Upon accepting the *SGE Request Form for Repayment of Premiums of Price Asking Options*, the Exchange will re-clear the transaction on the repayment date under the original payment terms other than the original payment date.

Article 41 Where, with respect to any price asking options trade, the buyer did not exercise the option before the end of the exercising hours on the expiry date, but elects to exercise the option at another time by agreement with the seller, the buyer and the seller shall each submit an *SGE Request Form for Exercising Price Asking Options* affixed with their respect company seals to the Exchange by 3:00 p.m. of the actual exercise day, upon which the Exchange will process the request in accordance with applicable operating procedures.

Article 42 In the case of the two trading parties having agreed to cancel an executed options trade, they shall each submit a written request to the Exchange, specifying such items as the reason for the cancellation, the transaction number of the options trade to be cancelled, and their member codes, upon the receipt of which the Exchange will process the cancellation in accordance with applicable operating procedures.

Article 43 In the case of the two trading parties having agreed to modify the settlement date of an executed options trade, they shall each submit a written request to the Exchange, specifying such items as the reason for the change, the transaction number of the options trade to be modified, their member codes, and the original and new settlement dates, upon the receipt of which the Exchange will process the date change in accordance with applicable operating procedures.

Chapter VIII Information Services

Article 44 The Exchange shall be responsible for the day-to-day market data aggregation and information disclosure with respect to price asking options trading.

Article 45 Members who trade price asking options may query information relating to price asking options trades through the SGE Price Asking System.

Article 46 No market participant is permitted to divulge any trading information and other non-public information obtained through its participation of a price asking options trade without the prior written consent of the two trading parties concerned, unless such divulcation is required by laws, regulations, or competent authorities.

Each member shall keep confidential of the trading details of its customers.

Chapter IX Trading Supervision

- Article 47** The Exchange shall be responsible for the day-to-day supervision of price asking options trading and shall submit relevant information regarding price asking options trades to the People's Bank of China.
- Article 48** If the Exchange determines that an irregularity has occurred in a price asking options trade, the concerned member(s) shall promptly give an explanation with regard to such irregularity per the Exchange's requirement.
- Article 49** Any market participant who believes a violation has occurred during price asking options trading may report its suspicion to the Exchange. In such a case, the Exchange may contact the concerned parties for information and verification. If a party is found to have committed a violation, it shall be required to make rectifications and be given a notice of reprimand, and, in case of a serious violation, its qualification for trading price asking products shall be revoked.
- Article 50** The Exchange shall take appropriate measures in accordance with the *Enforcement Rules of the Shanghai Gold Exchange* against any market participant who disrupts the market order, seeks illegal gains, or otherwise commits any other trading irregularities.

Chapter X Supplementary Provisions

- Article 51** Any matter not specifically provided for herein shall be governed by the applicable rules of the Exchange.
- Article 52** These *Trading Rules* are originally 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 53** The Exchange shall reserve the right to interpret these *Trading Rules*.
- Article 54** These *Trading Rules* shall come into effect on January 1, 2016. The *Measures for the Administration of Price Asking Options Trading of the Shanghai Gold Exchange (Trial Implementation)*, dated January 15, 2015, shall expire on the same day.

Schedule 1

Specifications of SGE Price Asking Options Products

Specifications for OAu9999		
Product code	OAu99.99	
Option styles	European, American	
Option types	Call, put	
Code of underlying product	PAu99.99	
Tenor of underlying product (T+N)	T+0	
Product size	100 g/lot	
Quotation unit for premium and strike price	Yuan/g	
Minimum price fluctuation for premium	RMB 0.000001/g	
Minimum price fluctuation for strike price	RMB 0.01/g	
Minimum transaction size	1 lot	
Maximum transaction size	50,000 lots	
Trading hours	Trading days 9:00 a.m. – 5:00 p.m.	
Closing hours	Trading days 9:00 a.m. – 2:00 p.m.	
Exercising hours	Trading days 9:00 a.m. – 2:00 p.m.	
Settlement method	Physical delivery	Cash settlement
Reference price	N/A	Opening price, benchmark price, closing price of preceding trading day, settlement price of preceding trading day
Transaction fee for opening options	RMB 2/lot	
Transaction fee for closing options	RMB 2/lot	
Transaction fee for Exercise Trade	0.01% of the transaction value	

Specifications for OAu9995		
Product code	OAu99.95	
Option styles	European, American	
Option types	Call, put	
Code of underlying product	PAu99.95	
Tenor of underlying product (T+N)	T+0	
Product size	1000 g/lot	
Quotation unit for premium and strike price	Yuan/g	
Minimum price fluctuation for premium	RMB 0.000001/g	
Minimum price fluctuation for strike price	RMB 0.01/g	
Minimum transaction size	1 lot	
Maximum transaction size	5,000 lots	
Trading hours	Trading days 9:00 a.m. – 5:00 p.m.	
Closing hours	Trading days 9:00 a.m. – 2:00 p.m.	
Exercising hours	Trading days 9:00 a.m. – 2:00 p.m.	
Settlement method	Physical delivery	Cash settlement
Reference price	N/A	Opening price, benchmark price, closing price of preceding trading day, settlement price of preceding trading day
Transaction fee for opening options	RMB 20/lot	
Transaction fee for closing options	RMB 20/lot	
Transaction fee for Exercise Trade	0.01% of the transaction value	

Schedule 2

**SGE Rules on Fixing Reference Price-Related Terms for Exercise Trade of Cash
Settlement Price Asking Options**

Type of reference price for options trade	Type of reference price for Exercise Trade	Date of reference price for Exercise Trade	Reference price adjustment for Exercise Trade
Opening price	Opening price	Exercise day	Equals to reference price adjustment for the option trade
Benchmark Price (AM)	Benchmark Price (AM)	Exercise day	Equals to reference price adjustment for the option trade
Closing price of preceding trading day	Closing price	Trading day immediately before exercise day	Equals to reference price adjustment for the option trade
Settlement price of preceding trading day	Settlement price	Trading day immediately before exercise day	Equals to reference price adjustment for the option trade

Schedule 3

SGE Filing Form for Default on Premiums of Price Asking Options

Member name			Member code	
Customer name			Customer code	
Member's contact person			Telephone	
#	Opening/Closing premium	Transaction number of price asking trade		
1				
2				
3				
4				
5				
Member's official seal				
Signature of member's person-in-charge			Date	

Schedule 4

SGE Request Form for Repayment of Premiums of Price Asking Options

Premium Payer			
Member name		Member code	
Customer name		Customer code	
Member's contact person		Telephone	
Premium Receiver			
Member name		Member code	
Customer name		Customer code	
Member's contact person		Telephone	
#	Opening/Closing premium	Transaction number of price asking trade	
1			
2			
3			
4			
5			
Official seal of receiving side's member			
Signature of person-in-charge of receiving side's member		Date	