

Measures for the Administration of Leased Precious Metals of the Shanghai Gold Exchange

(Revised in December, 2014)

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Chapter I General Provisions

Article 1 These *Measures for the Administration of Leased Precious Metals 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”) to regulate the leasing of gold, platinum, silver and other precious metals under the custody of the Shanghai Gold Exchange (the “Exchange” or the “SGE”), and protect the lawful rights and interests of the parties concerned in such leasing arrangements.

Article 2 These *Measures* are applicable to all leasing activities involving the gold, platinum, silver or other precious metals under the custody of the Exchange. All members and customers of the Exchange shall abide by these *Measures*.

Article 3 Any member or customer who is the holder of such precious metals as gold, platinum, or silver that are placed under the custody of the Exchange may use the leasing services offered by the Exchange. In particular, the lessor shall be a qualified financial institution or any other organization accredited by the Exchange. Any member or customer seeking accreditation to make lease through the Exchange shall submit a written application and a duly-filled *SGE Application Form for Lending Privileges* (see “Annex 1” attached hereto) to the Exchange.

Article 4 The lessor and lessee to a stock of gold, platinum, silver or other precious metals to be leased shall sign a lease agreement. The Exchange shall be responsible for transferring the possession of such precious metals in accordance with the requests put forth by the lessor and the lessee.

Article 5 Leasing physical bullions deliverable on the Main Board.

1. Domestic Members and Domestic Customers may engage in the leasing of physical bullions deliverable on the Main Board with each other;
2. International Members and International Members may engage in the leasing of physical bullions deliverable on the Main Board with each other;
3. A Domestic Member or Domestic Customer may lease physical bullions deliverable on the Main Board to any International Member or International Customer;
4. A qualified International Member or International Customer may lease physical bullions deliverable on the Main Board to any Domestic Member or Domestic Customer within the International Member or International Customer’s permitted quota. Under such a scenario, the Domestic Member or Domestic Customer may only withdraw the leased physical bullions from SGE vaults. Any violation by the International Member shall be addressed in accordance with the *Measures for the Administration of Membership of the Shanghai Gold Exchange*.

Article 6 Leasing physical bullions deliverable on the International Board.

1. International Members and International Customers may engage in the leasing of physical bullions deliverable on the International Board with each other;
2. A Domestic Member or Domestic Customer may lease physical bullions

- deliverable on the International Board to any International Member or International Customer;
3. Any Domestic Member or Domestic Customer qualified to import gold may lease physical gold deliverable on the International Board from any International Member or International Customer; the gold so leased shall not be sold on or through the International Board. Commercial banks qualified to import gold shall execute the import procedures in accordance with the *Operating Guidelines for International Board Deliveries of the Shanghai Gold Exchange*, the “contract note” to be issued by the Exchange per Article 21 therein shall be changed to a leasing transaction record provided by the Exchange;
 4. A Domestic Member or Domestic Customer may lease any physical bullions deliverable on the International Board other than gold from an International Member or International Customer; the bullions so leased shall not be sold on or through the International Board. Such Domestic Member or Domestic Customer shall abide by relevant national laws and regulations in regard to physical bullions import procedures.

Article 7 The two types of transfers of possession are the Automated Transfer and the Manual Transfer. “Automated Transfer” refers to the automated transfer of possession of precious metals by the Exchange’s system after the system verifies and accepts the leasing requests put forth by an SGE-approved lessor and the corresponding lessee. “Manual Transfer” refers to the transfer of possession of precious metals that is completed by the Exchange after it reviews and accepts the written transfer requests submitted by the lessor and lessee.

Article 8 To return leased precious metals, the lessor and lessee shall each submit a request to this effect to the Exchange. The Exchange shall complete an automated transfer of possession within its system after it has verified the requests.

Article 9 Where a customer wishes to lease or return precious metals, its carrying member shall be responsible for submitting the appropriate request on the customer’s behalf. The customer shall supply all information necessary for such request to the member in writing.

Chapter II Applying for the Privilege of Automated Transfer

Article 10 Only members and customers who are banks shall be able to apply for the privilege of Automated Transfer as lessors. Members and customers who are not banks may only use Manual Transfer and cannot apply for Automated Transfer.

Article 11 A member or customer who is a bank and intends to apply for the privilege of Automated Transfer shall mail the original *SGE Application for Access to Automated Transfer of Leased Precious Metals* (see “Annex2” attached hereto) to the Exchange. The application must be signed and stamped with the applicant’s company seal. After the Exchange approves the application, it shall grant the applicant the access to Automated Transfer as a lessor by entering the applicant’s customer code into the Exchange’s system.

Article 12 Any member or customer who is a bank and applies for Automated

Transfer shall abide by national laws and regulations, rules prescribed by industry regulators, and shall engage in leasing activities with a view to furthering the real economy. The Exchange may revoke a member or customer's access to Automated Transfer should such member or customer violates any applicable laws, regulations, and rules.

Chapter III Lease of Precious Metals

Article 13 To lease gold, platinum, silver, or other precious metals through the Exchange, the lessee and lessor shall each submit a duly and correctly completed electronic request form through the Exchange's member service system (or, as applicable, the international trading system) that is in accordance with the terms of the lease agreement they have entered into.

Article 14 Upon a lessor approved for Automated Transfer and the corresponding lessee each submits a leasing request to the aforementioned system, the system shall automatically verify the requests and transfer the precious metals from the lessor's Bullion Account into the lessee's Bullion Account.

Article 15 For any lessor who does not have the access to Automated Transfer, it shall submit an *SGE Request Form for Transfer of Leased Precious Metals* ("Transfer Request Form", see "Annex3" attached hereto) that is signed by both parties and stamped with their respective company seal via fax to the Exchange. Once the Exchange verifies and approves the leasing request that shall have the status of "matched pair", it shall transfer the precious metals from the lessor's Bullion Account into the lessee's Bullion Account.

Article 16 The Exchange may require a lessor to provide the lease agreement. In the event of any discrepancy between the information on the lease agreement and that on the Transfer Request Form, the information on the Transfer Request Form shall prevail.

Chapter IV Return of Leased Precious Metals

Article 17 The precious metals returned for the fulfillment of a lease agreement may be of any type of bullions deliverable on or through the Exchange against the same product as that leased through the agreement. Notwithstanding the foregoing, any physical bullions deliverable on the Main Board leased through the Exchange shall be returned with only physical bullions deliverable on the Main Board; any physical bullions deliverable on the International Board leased through the Exchange shall be returned with physical bullions deliverable on the International Board; no cross return or mix return is permitted.

Article 18 To return any leased gold, platinum, silver, or other precious metals, the lessee and lessor shall each submit a duly and correctly completed electronic return request form through the Exchange's member service system (or, as applicable, the international trading system).

Article 19 The Exchange's member service system (or, as applicable, the international trading system) shall automatically verify any request for returning

leased precious metals, and transfer the returned precious metals from the lessee's Bullion Account into the lessor's Bullion Account upon the request's acceptance.

Chapter V Tax Invoices

Article 20 VAT invoices shall be issued for leasing transactions involving physical bullions deliverable on the Main Board, but not for those involving physical bullions deliverable on the International Board.

Article 21 If any lessee has completed the Load-out procedures for its leased gold or platinum (i.e., the "Withdrawal for Leasing" option is selected when printing its *SGE Notice of Take-delivery*) and the gold or platinum returned by the lessee is that it purchased through the Exchange, the Exchange will issue a VAT invoice to the lessee based on the lessee's Load-out and purchase records. If the gold or platinum returned by the lessee for the fulfillment of its lease agreement is that it deposited into a Certified Vault, the Exchange will not issue any VAT invoice to the lessee. If a lessee leases silver and subsequently returns the silver it purchased through the Exchange, the seller in that trade shall directly issue a VAT invoice to the buyer.

Article 22 In respect of precious metals (including those leased) sold by a member or customer through the Exchange on a specific trading day, the member or customer shall issue a regular tax invoice to the Exchange in exchange for the settlement slip of the tax invoice for settlement pursuant to *CaiShui [2002] No. 142* and *GuoShui [2002] No. 139*.

Chapter VI Expenses and Fees

Article 23 Each of the members or customers involved in the leasing of precious metals shall pay a leasing service fee to the Exchange at the rate of 6 yuan/kg for gold and platinum and 1 yuan/kg for silver.

Article 24 Each of the members or customers involved in the return of leased precious metals shall pay a leasing service fee to the Exchange at the rate of 6 yuan/kg for gold and platinum and 1 yuan/kg for silver.

Article 25 Any changes in the foregoing fee rates shall be made in accordance with the Exchange's announcements.

Article 26 The Exchange shall start collecting from a lessee Storage Fees on the precious metals transferred into the lessee's Bullion Account from the date of their transfer, or, as applicable, start collecting from a lessor Storage Fees on the precious metals transferred into the lessor's Bullion Account from the date of their transfer from the lessee.

Chapter VII Legal Liability

Article 27 The lessor or the lessee, as applicable, that requests to use leasing services through the Exchange, rather than the Exchange, shall be held responsible for losses resulting from the lessor or the lessee's failure to comply with the Exchange's rules.

Article 28 The Exchange is exempt from any liability for financial losses resulting from Force Majeure events, sudden technical failures, or any intrusion into the Exchange's system.

Article 29 Any lease agreement involving precious metals under the custody of the Exchange shall clearly stipulate that both the lessor and lessee are fully informed of the contents of these *Measures*, and that the lessor and lessee shall each be fully liable for any consequence resulting from their respective violations thereof.

Chapter VIII Supplementary Provisions

Article 30 The Exchange shall reserve the right to interpret and revise these *Measures*.

Article 31 These *Measures* shall come into effect on the date of their promulgation.

Annex 1:

SGE Application Form for Lending Privileges

Date of application:

Applicant name			
Applicant customer code			
Applicant address			
Applicant postal code			
Legal representative		Position	
Contact person		Position	
Landline		Fax	
Mobile		E-mail	
Is a financial institution?	<input type="radio"/> Yes <input type="radio"/> No		
Signature and seal of the applicant's legal representative:	Signature and seal of the applicant:		
Applicant's representations	We, the signed applicant, are applying for the qualification for conducting lending businesses through the Shanghai Gold Exchange at our own volition. All information contained herein is verified to be accurate and valid, and we have committed no material illegal acts over the previous two years.		
(Section below to be filled out by the Shanghai Gold Exchange)			
Decision: <input type="radio"/> Approved <input type="radio"/> Rejected			
Record entered by:	Reviewed by:		
Date of receipt:	Signature and seal of competent approval authority:		

Annex 2:

SGE Application for Access to Automated Transfer of Leased Precious Metals

Please mark the service you request with“√”:		
<input type="checkbox"/> Request for access <input type="checkbox"/> Removal of access		
Company information:		
Applicant (with company seal): _____ Type: <input type="checkbox"/> Enterprise <input type="checkbox"/> Institutional Org.		
Address: _____ Postal code: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		
Organization Code Certificate number: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> - <input type="checkbox"/>		
Contact person information:		
Name: _____ ID number: _____		
Phone: _____ Fax: _____		
E-mail: _____		
Customer accounts for Automated Transfer:		
Number	Customer code	Customer name
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
Section below to be filled by the Shanghai Gold Exchange:		
Processed by: _____ Reviewed by: _____		
Effective date: _____		
Authority's seal:		

Note: 1. Only members and customers of the Shanghai Gold Exchange who are banks may apply for the privilege of Automated Transfer for leasing transactions;
2. Applicant may add additional lines to the list of customers as necessary.

Annex 3:

Lease registration number (filled out by the SGE):		Date of request:	
Lessor's name		Lessee's name	

SGE Request Form for Transfer of Leased Precious Metals

Lessor's code		Lessee's code	
Deliverable bullion	Vault for delivery	Weight of leased bullions (Kg)	
Total weight of leased bullions (Kg)			
Lease agreement No.		Annualized lease rate (%)	
Value date		Term of lease (days)	
Maturity date			
Lessor's contact person		Lessee's contact person	
Contact information		Contact information	
Lessor's signature and seal		Lessee's signature and seal	
Note:			

Note: This Request Form shall be filled out in full and in strict conformity to the lease agreement entered into by the lessor and the lessee.