

---

**CHINA OVER-THE-COUNTER  
GOLD DERIVATIVE TRANSACTIONS**

**BASIC TERMS  
(2013 VERSION)**

**(English Translation)**

---

## **Statement on English Translation**

This English translation is for reference only and is not prepared for the purposes of execution. The copyright statement in the Chinese version of the documentation applies to this English translation. It should be noted that each language has its own grammatical structures and embodies its own legal and cultural concepts. Accordingly, it is not possible to guarantee that the English version is an exact translation of the original Chinese version, and this English translation shall not be relied upon by any person in making any decision or taking any action.

Beijing Global Law Office, a member of the NAFMII Drafting Committee, has prepared this English translation.

The representatives from other members of the NAFMII Drafting Committee have also participated in the review of this English translation, including Bank of China, Bank of Communications, China Industrial Bank Co., Ltd., China International Capital Corporation, Industrial and Commercial Bank of China, JunZeJun Law Offices and Standard Chartered Bank.

---

## Statement

The aim of the issuance of the *China Over-the-counter Gold Derivative Transactions Basic Terms (2013 Version)* (the “**Basic Terms Document**”) by the National Association of Financial Market Institutional Investors (the “**NAFMII**”) is to provide participants in the financial derivatives market (the “**Participants**”) with definitions of terms to be used in transaction confirmations, so as to reduce transaction costs, improve the transaction efficiency, and promote the development of the financial derivatives market. NAFMII will continue to make amendments and additions to the content of the terms in light of the development and needs of the market. When using this Basic Terms Document, Participants may effect amendments or supplements as may be necessary for the specific transactions.

The copyright of this Basic Terms Document is vested in NAFMII. Except for the purpose of carrying out transactions in relation to this Basic Terms Document or conducting teaching or research, without the prior permission in writing of the copyright holder, no person shall reproduce, copy, translate or distribute this Basic Terms Document in paper, electronic or any other forms.

---

## Table of Contents

Statement on English Translation .....	I
Statement .....	II
1 General Terms .....	1
1.1 Gold Derivative Transaction .....	1
1.1.1 Gold Derivative Transactions .....	1
1.1.2 Gold Derivate Quotation Transaction .....	1
1.2 Effective Transaction Agreement .....	1
1.3 Transaction Confirmation .....	1
1.4 Contract Note .....	1
1.5 Parties .....	2
1.5.1 Parties/Party .....	2
1.5.2 Purchaser .....	2
1.5.3 Seller .....	2
1.5.4 Initiator .....	2
1.5.5 Quotation Provider .....	2
1.6 Exchange .....	2
1.7 Trade Center .....	2
1.8 Market Maker .....	2
1.9 Independent Dealer .....	3
2 Relevant Terms on Dates .....	3
2.1 Trade Date .....	3
2.2 Execution Time .....	3
2.3 Value Date .....	3
2.4 Business Day .....	3

---

2.5	Business Day Convention .....	4
3	Relevant Terms on Calculations .....	4
3.1	Calculation Institution .....	4
3.2	Calculation Date .....	5
3.3	Calculation Currency .....	5
3.4	Currency Amount .....	6
3.5	Quotation Accuracy .....	6
3.6	Smallest unit for an amount .....	6
4	Relevant Terms on Gold .....	6
4.1	Gold .....	6
4.2	Trade Direction .....	6
4.3	Trade Quantity .....	6
4.4	Trade Unit .....	6
4.5	Quotation Unit .....	7
4.6	Spot Value Date .....	7
4.7	Spot Price .....	7
4.8	Tenor .....	7
4.8.1	Standard Tenor .....	7
4.8.2	Non-standard Tenor .....	7
4.9	Bid Quotation .....	7
4.10	Offer Quotation .....	7
5	Relevant Terms on Clearing / Settlement .....	7
5.1	Capital Account .....	7
5.2	Settlement Currency .....	8
5.3	Gross Settlement .....	8
5.4	Clearing .....	8
5.5	Net Settlement .....	8

---

6	Relevant Terms on Forwards.....	8
6.1	Gold Forward Transaction.....	8
6.2	Forward Value Date .....	9
6.3	Forward Price .....	9
6.3.1	Forward Basis Point .....	9
6.3.2	Forward Gross Price.....	9
7	Relevant Terms on Swaps .....	9
7.1	Gold Swap Transaction .....	9
7.2	Swap Value Date .....	10
7.2.1	Initial Value Date .....	10
7.2.2	Final Value Date.....	10
7.3	Swap Price.....	10
7.3.1	Initial Price .....	10
7.3.2	Final Price .....	10
7.3.3	Swap Basis Point.....	10
8	Relevant Terms on Options.....	11
8.1	Gold Option Transaction.....	11
8.2	Types of Option Transactions .....	11
8.2.1	Option to Buy.....	11
8.2.2	Option to Sell .....	11
8.2.3	European Option .....	11
8.2.4	American Option.....	11
8.3	Option Transaction Parties.....	12
8.3.1	Option Purchaser.....	12
8.3.2	Option Seller.....	12
8.4	Relevant Terms on Option Premium .....	12
8.4.1	Option Premium .....	12

---

8.4.2	Option Premium Payment Date.....	12
8.5	Relevant Terms on Exercise of Options .....	12
8.5.1	Exercise.....	12
8.5.2	Exercise Price .....	12
8.5.3	Exercise Date .....	12
8.5.4	Cut-off Time.....	12
8.5.5	Exercise Notice .....	13
8.6	Option Settlement Date .....	13



## CHINA OVER-THE-COUNTER GOLD DERIVATIVE TRANSACTIONS

### BASIC TERMS

#### 1 General Terms

##### 1.1 Gold Derivative Transaction

###### 1.1.1 Gold Derivative Transaction

means a “gold derivative transaction” designated by the Parties in the relevant Effective Transaction Agreement in compliance with the requirements of the applicable laws and policies, including but not limited to Gold Forward Transactions, Gold Swap Transactions, Gold Option Transactions and transactions comprising of the above transactions.

###### 1.1.2 Gold Derivative Quotation Transaction

as one of the business models of Gold Derivative Transactions, means a Gold Derivative Transaction conducted by the market participants by way of quotations through the trading systems designated by the Exchange such as the trading system of the Trade Center or other manners recognised by the competent authorities for gold market.

##### 1.2 Effective Transaction Agreement

means a legally binding agreement (including but not limited to Transaction Confirmation) entered into in respect of a Gold Derivative Transaction.

##### 1.3 Transaction Confirmation

means the documents or other written evidence confirming or evidencing a Gold Derivative Transaction exchanged by the Parties, including but not limited to Contract Notes, electronic confirmations, e-mails, telegrams, telexes, facsimile transmissions, agreements and letters.

##### 1.4 Contract Note (also referred to as the “Transaction Confirmation Note” or “Transaction Contract Note”)

means the evidence in written form which is generated from the trading systems designated by the Exchange such as the trading system of the Trade Center after a Gold Derivative Transaction is entered into between the Parties through such trading system, which confirms the transaction conditions of that transaction.





## **1.5 Parties**

### **1.5.1 Parties/Party**

means the parties under a specific Gold Derivative Transaction, collectively referred to as the “**Parties**” and each as a “**Party**”.

### **1.5.2 Purchaser**

means the Party that purchases the Gold.

### **1.5.3 Seller**

means the Party that sells the Gold.

### **1.5.4 Initiator**

means, in a Gold Derivative Transaction, the Party that sends a transaction request to the other Party requesting for a quotation from such party.

### **1.5.5 Quotation Provider**

means, in a Gold Derivative Transaction, the Party that provides a quotation.

## **1.6 Exchange**

means the Shanghai Gold Exchange or any surviving entity, successor or assignee thereof (provided that such surviving entity, successor or assignee assumes all or a substantial part of the business relating to Gold Derivative Transactions therefrom).

## **1.7 Trade Center**

means the China Foreign Exchange Trade System & National Interbank Funding Center or any surviving entity, successor or assignee thereof (provided that such surviving entity, successor or assignee assumes all or a substantial part of the business relating to Gold Derivative Quotation Transactions therefrom).

## **1.8 Market Maker**

means an institution recognised by the competent authorities for gold market to provide two-way bid and offer prices on Gold Derivative Transactions to the market through the trading systems designated by the Exchange such as the trading system of the Trade Center on an ongoing basis, and undertake to conclude transactions within the prescribed range of its quoted prices in such trading system.



## **1.9 Independent Dealer**

means a non-affiliated financial institution which has the qualification to conduct Gold Derivative Transactions in the relevant market and is selected in accordance with the principle of good faith by the Parties or the Calculation Institution. The selection methods and standards may be specified in the relevant Effective Transaction Agreement.

Affiliation means, in respect of an entity, any other entity which directly or indirectly controls it, or is directly or indirectly controlled by it, or is directly or indirectly under the same control with it. If an entity holds more than fifty (50) percent of the capital or shares of another entity, or (although less than fifty (50) percent) has the material impact on the resolutions of the shareholders, the shareholders' meetings or the board of directors of that entity by virtue of the voting rights of the capital contributed to, or the shares held in, that entity, it will be deemed as "controlling" that entity. However, state-controlled entities shall not be deemed as affiliates for the sole reason that they are under the common control of the state.

## **2 Relevant Terms on Dates**

### **2.1 Trade Date** (also referred to as the "**Transaction Date**" or "**T**")

means the date on which the Parties enter into a Gold Derivative Transaction.

### **2.2 Execution Time** (also referred to as the "**Transaction Time**")

means the specific timing (Beijing time) that the Parties enter into a Gold Derivative Transaction.

### **2.3 Value Date**

means, after the entry into of a Gold Derivative Transaction, the date on which the Parties complete the delivery of the funds and the gold. From the perspective of the Party delivering the funds, such date is also referred to as the "**Settlement Date**"; from the perspective of the Party delivering the Gold, such date is also referred to as the "**Closing Date**". Unless otherwise agreed by the Parties, Value Date, Settlement Date and Closing Date refer to the same date.

### **2.4 Business Day** (also referred to as the "**Working Day**")

means, unless otherwise agreed by the Parties, the following dates: with respect to any payment of funds and delivery of Gold, a day on which commercial banks in the place where the Exchange, the Trade Center and the relevant account is located are ordinarily



open for business (not including statutory festivals and holidays); with respect to any notices or communications, a day on which commercial banks in the city that is specified in the address for notice as provided by the receiving Party are ordinarily open for business (not including statutory festivals and holidays).

## **2.5 Business Day Convention**

If any relevant date falls on a day that is not a Business Day, it shall be adjusted in accordance with the following relevant conventions:

- (1) Following Business Day: the date will be postponed to the following Business Day;
- (2) Modified Following Business Day: the date will be postponed to the following Business Day, but if the following Business Day falls in the next calendar month, that date will be the preceding Business Day;
- (3) Preceding Business Day: the date will be the preceding Business Day.

## **3 Relevant Terms on Calculation**

### **3.1 Calculation Institution**

means, in respect of a Gold Derivative Transaction, the institution designated by the Parties as calculation institution for the purpose of calculating the delivery and payment obligations. The Calculation Institution shall comply with the principle of good faith at the time of calculation. The Calculation Institution shall not be treated as the trustee or advisor of any Party when it performs the function of Calculation Institution. The Calculation Institution is responsible for sending a notice to the Parties on the Calculation Date or other dates agreed by the Parties. Such notice shall at least include the following contents:

- (i) the Value Date;
- (ii) the Party obliged to deliver Gold and the quantity of Gold due to be delivered;
- (iii) the Party obliged to pay the due amount and the amount payable; and
- (iv) any other obligation to be performed by the Calculation Institution as determined by the Parties in the Effective Transaction Agreement.

If, after the delivery of the notice, there is any change to the Value Date, the quantity of Gold due to be delivered or the amount of funds payable, the Calculation Institution shall notify the Parties of such change in the agreed manner, together with an explanation with reasonable details on how such change is determined.



Unless otherwise agreed by the Parties:

- (1) if the Parties select the Exchange as the Calculation Institution for a transaction, any calculation, confirmation or adjustment made by such institution in relation to such transaction shall be finally binding on the Parties, unless such calculation, confirmation or adjustment has manifest error or negligence;
- (2) in other circumstances, if one Party has a reasonable dispute with any calculation made by the Calculation Institution (or, where the Parties are both the Calculation Institutions, by the other Party), it may, within two (2) Business Days of the date when it knows such calculation, jointly with the other Party select an independent third party as the reviewing institution based on the principle of good faith, provided that such selection does not violate the applicable laws of the PRC. If the Parties fail to jointly select a reviewing institution within the above period, each Party may select an independent third party within the first (1st) Business Day after that period, while two (2) such third parties will jointly select another Independent Dealer as the reviewing institution. If any Party fails to select an independent third party within such Business Day, then the independent third party selected by the other Party shall act as the reviewing institution. If each Party fails to select the independent third party within such Business Day, the calculation originally made by the Calculation Institution shall be finally binding on the Parties, unless such calculation has manifest error or negligence.

The function of the reviewing institution shall be (and shall only be) to re-calculate the above results subject to dispute, based on the principles of good faith and commercial reasonableness. Subject to the above, the calculation made by the reviewing institution shall be finally binding on the Parties, unless such calculation has manifest error or negligence. Unless the Parties otherwise agree, the expenses for retaining the reviewing institution shall be equally shared by the Parties.

### **3.2 Calculation Date**

means the earliest day on which the Calculation Institution is able to conduct the calculation of payment (or delivery) obligations.

### **3.3 Calculation Currency**

means the currency used to calculate the price of the subject of the gold transaction. Unless otherwise agreed by the Parties, such currency shall be RMB.



**3.4 Currency Amount** (also referred to as the “**Transaction Amount**”)

means, in a Gold Derivative Transaction, the corresponding amount of the Trade Quantity in the Calculation Currency.

**3.5 Quotation Accuracy**

means the precise decimal places for a Gold price denominated in the Calculation Currency, which, unless otherwise agreed by the Parties, normally follows the parameter settings of the trading systems designated by the Exchange such as the trading system of the Trade Center or the relevant market practice.

**3.6 Smallest unit for an amount**

The unit for an RMB amount is Yuan, being accurate to fen (one-hundredth (1/100) of Yuan). Digits after fen shall be rounded off (with 0.5 fen being rounded upwards). For other currencies the relevant market practice shall be followed.

**4 Relevant Terms on Gold**

**4.1 Gold**

means the gold agreed by the Parties, which meets the delivery quality standards recognised by the Exchange, including but not limited to the gold that meets the gold ingot SGEB1-2002 and gold bar SGEB2-2004 quality standards and produced by enterprises recognised by the Exchange as the provider of standard gold ingots and gold bars, and the standard gold produced by a qualified provider recognised by The London Bullion Market Association (LBMA).

**4.2 Trade Direction**

means, unless otherwise agreed by the Parties, the trade direction of the Gold, which normally includes the sale and the purchase. The sale and the purchase in a Gold Swap Transaction mean the direction of the far leg transaction of Gold.

**4.3 Trade Quantity**

means the weight of the transaction subject in a Gold Derivative Transaction.

**4.4 Trade Unit**

means the calculation unit for the Trade Quantity, including but not limited to gram, kilogram and ounce.



#### **4.5 Quotation Unit**

means the amount of the Calculation Currency used to quote a Trade Unit of the gold transaction subject, including but not limited to Yuan per gram, Yuan per kilogram and Fen per gram.

#### **4.6 Spot Value Date**

means the second (2<sup>nd</sup>) Business Day after the Trade Date, also referred to as “**T+2**”.

#### **4.7 Spot Price**

unless otherwise agreed by the Parties, means, at the time of the entry into of a Gold Derivative Transaction, the transaction price quoted by the Quotation Provider for the gold to be delivered on the Spot Value Date in respect of the agreed transaction category and Trade Quantity, including the Bid Quotation and the Offer Quotation.

#### **4.8 Tenor**

means the tenor of the Gold Derivative Transaction, which is normally the period between the Value Date and the Spot Value Date, including the Standard Tenor and the Non-standard Tenor.

##### **4.8.1 Standard Tenor**

means the Tenor as a fixed period between the Value Date and the Spot Value Date, which, unless otherwise agreed by the Parties, normally follows the parameter settings of the trading systems designated by the Exchange such as the trading system of the Trade Center or the relevant market practice.

##### **4.8.2 Non-standard Tenor**

means the Tenor which Value Date falls outside the Standard Tenor.

#### **4.9 Bid Quotation**

means the price quoted by the Quotation Provider to buy the Gold.

#### **4.10 Offer Quotation**

means the price quoted by the Quotation Provider to sell the Gold.

### **5 Relevant Terms on Clearing / Settlement**

#### **5.1 Capital Account**

means an account designated by one Party to make payments to, or receive payments from, the other Party. Unless otherwise agreed by the Parties, the Capital Account will



generally be an account opened by the Party at a clearing bank recognised by the Exchange.

## **5.2 Settlement Currency**

means the currency payable by the Purchaser to the Seller. Unless otherwise agreed by the Parties, the Settlement Currency will be RMB.

## **5.3 Gross Settlement**

means, in respect of Gold Forward Transactions and Gold Swap Transactions, the settlement method on the Settlement Date where the entire quantity of Gold and the entire amount of price are settled in accordance with the agreed transaction price.

In respect of Gold Option Transactions, Gross Settlement means the settlement method on the Option Settlement Date where the Option Purchaser enters into the gold transaction with the Option Seller at the agreed Exercise Price and amount.

## **5.4 Clearing**

means the process for the matching and confirmation of Gold Derivative Transactions, the calculation of the rights and obligations of the Parties for payment or delivery, the transmission of settlement instructions and the confirmation of receipt.

## **5.5 Net Settlement**

means the Clearing and the transfer of funds and Gold as uniformly handled by the Exchange, under which the amount of prices and the quantity of the same specification of Gold receivable and payable will be netted separately and the balance of such amount and Gold after netting will be settled and delivered.

## **6 Relevant Terms on Forwards**

### **6.1 Gold Forward Transaction**

means a Gold Derivative Transaction which will be Cleared and delivered on an agreed date in the future (not being the Spot Value Date) as the agreed type of gold transaction and at the agreed Trade Quantity and transaction price, entered into by the Parties through the trading systems designated by the Exchange such as the trading system of the Trade Center or other manners recognised by the competent authorities for the gold market.



## **6.2 Forward Value Date**

means the date when the Parties perform the payment of price and delivery of Gold under a Gold Forward Transaction, which is the expiry of the Tenor agreed by the Parties commencing on the Spot Value Date.

## **6.3 Forward Price**

### **6.3.1 Forward Basis Point**

means the point(s) being the difference between the Forward Gross Price and the Spot Price.

Forward Basis Point is expressed in the unit of RMB Fen/gram, accurate to one decimal place, which may be positive or negative. A quotation for Forward Basis Points may be the Bid Quotation or the Offer Quotation.

### **6.3.2 Forward Gross Price**

means the price agreed by the Parties for the sale and purchase of Gold on the Forward Value Date.

Forward Gross Price shall be equal to the Spot Price plus the quotation for the Forward Basis Point(s). If the Initiator is the Seller, the Spot Price and the Forward Basis Point(s) shall both use the Bid Quotation; if the Initiator is the Purchaser, the Spot Price and the Forward Basis Point(s) shall both use the Offer Quotation.

## **7 Relevant Terms on Swaps**

### **7.1 Gold Swap Transaction**

means a Gold Derivative Transaction, under which the price and the Gold will be settled on two different Value Dates but in reverse directions, as the agreed type of transaction and at the agreed Trade Quantity and transaction price, entered into by the Parties through the trading systems designated by the Exchange such as the trading system of the Trade Center or other manners recognised by the competent authorities for the gold market. Under the first settlement, the Party purchases (or sells) the Gold at an agreed price, while under the second settlement, that Party sells (or purchases) the same quantity of Gold at another agreed price.





## **7.2 Swap Value Date**

means the date when the Parties perform the payment of funds and delivery of Gold under a Gold Swap Transaction, including the Initial Value Date and the Final Value Date.

### **7.2.1 Initial Value Date**

means the date for the first settlement of the price and the Gold. The period from the Spot Value Date to the Initial Value Date is the Initial Period.

### **7.2.2 Final Value Date**

means the date for the second settlement of the price and the Gold. The period from the Spot Value Date to the Final Value Date is the Final Period.

## **7.3 Swap Price (also referred to as the “Swap Gross Price”)**

means the price agreed by the Parties for the sale and purchase of Gold on the Swap Value Date, including the Initial Price and the Final Price.

### **7.3.1 Initial Price (also referred to as the “Initial Swap Gross Price”)**

means the price applicable to the first settlement, as agreed by the Parties.

The Initial Price shall be equal to the Spot Price plus the quotation for the initial Forward Basis Point(s). If the Initiator purchases initially and sells finally, the Spot Price and the initial Forward Basis Point(s) shall both use the Offer Quotation; if the Initiator sells initially and purchases finally, the Spot Price and the initial Forward Basis Point(s) shall both use the Bid Quotation.

### **7.3.2 Final Price (also referred to as the “Final Swap Gross Price”)**

means the price applicable to the second settlement, as agreed by the Parties.

The Final Price shall be equal to the Spot Price plus the quotation for the final Forward Basis Point(s). If the Initiator purchases initially and sells finally, the Spot Price shall use the Offer Quotation and the final Forward Basis Point(s) shall use the Bid Quotation; if the Initiator sells initially and purchases finally, the Spot Price shall use the Bid Quotation and the final Forward Basis Point(s) shall use the Offer Quotation.

### **7.3.3 Swap Basis Point**

means the basis point(s) for determining the difference between the Final Price and the Initial Price.



Swap Basis Point is expressed in the unit of RMB Fen/gram, accurate to one decimal place, which may be positive or negative. A quotation for Swap Basis Points may be the Bid Quotation or the Offer Quotation.

## **8 Relevant Terms on Options**

### **8.1 Gold Option Transaction**

means the transaction activities under which the Option Purchaser is entitled to purchase or sell a specific quantity of Gold at the agreed price on a certain date in the future, as agreed between the Parties through the trading systems designated by the Exchange such as the trading system of the Trade Center or other manners recognised by the competent authorities for the gold market. The Option Purchaser holds the right by way of paying the Option Premium, while the Option Seller collects the Option Premium and performs the obligations when the Option Purchaser selects to Exercise.

### **8.2 Types of Option Transactions**

#### **8.2.1 Option to Buy (also referred to as the “Call Option”)**

means the right of the Option to purchase the Gold at an agreed price and quantity on a certain date in the future.

#### **8.2.2 Option to Sell (also referred to as the “Put Option”)**

means the right of the Option to sell the Gold at an agreed price and quantity on a certain date in the future.

#### **8.2.3 European Option**

means an option which shall only be Exercised by the Option Purchaser on the option expiry date.

#### **8.2.4 American Option**

means an option which may be Exercised by the Option Purchaser on or prior to the option expiry date.



### **8.3 Option Transaction Parties**

#### **8.3.1 Option Purchaser**

means the party that pays to the Option Seller a certain Option Premium and that is entitled to purchase or sell the Gold at the agreed price and quantity on a certain date in the future.

#### **8.3.2 Option Seller**

means the party that receives from the Option Purchaser a certain Option Premium and that is obliged to purchase or sell the Gold at the agreed price and quantity on a certain date in the future.

### **8.4 Relevant Terms on Option Premium**

#### **8.4.1 Option Premium**

means the premium paid by the Option Purchaser for purchasing the option.

#### **8.4.2 Option Premium Payment Date**

means the date on which the Option Purchaser pays the Option Premium to the Option Seller.

### **8.5 Relevant Terms on Exercise of Options**

#### **8.5.1 Exercise**

means the exercise by the Option Purchaser of the right to conduct the gold transaction with the Option Seller on an agreed date in the future.

#### **8.5.2 Exercise Price**

means the price agreed by the Parties to conduct the gold transaction at the time of Exercise.

#### **8.5.3 Exercise Date**

means the date on which the Option Purchaser elects to Exercise.

#### **8.5.4 Cut-off Time**

means the latest time agreed by the Parties to Exercise on the Exercise Date. Unless otherwise agreed by the Parties or set out in the relevant trading rules, the Cut-off Time shall be 15:00 Beijing time on the Exercise Date.



#### **8.5.5 Exercise Notice**

means an instruction sent by the Option Purchaser to the Option Seller through the relevant trading system or in other agreed methods for Exercising or not Exercising. The Exercise Notice shall be delivered to the Option Seller on or before the Cut-off Time on the Exercise Date, otherwise the Option Purchaser will be treated as not Exercising.

#### **8.6 Option Settlement Date (also referred to as the “Option Delivery Date”)**

means the date agreed by the Parties to perform the payment of the agreed Exercise Price and the delivery of Gold after the Exercise by the Option Purchaser. Unless otherwise agreed by the Parties or set out in the relevant trading rules, the Option Settlement Date shall be the second (2<sup>nd</sup>) Business Day after the Exercise Date.