

Yinfa No. 211 [2010], Several Opinions of the People's Bank of China, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Promoting the Development of the Gold Market

The People's Bank of China (PBC) Shanghai Head Office; all regional branches and operations offices of the PBC; all central sub-branches of the PBC in capital cities of provinces (autonomous regions) and in sub-provincial cities; the development and reform commissions, industry and information technology departments, finance departments (bureaus), state taxation bureaus, and local offices of the China Securities Regulatory Commission of all provinces, autonomous regions, municipalities directly under the Central Government, and cities under separate state planning; Shanghai Gold Exchange and Shanghai Futures Exchange; and all state-owned commercial banks and joint-stock commercial banks:

For the purposes of promoting the sound development of the gold market, further improving the financial market system, and enabling the gold market to play an important role in boosting the development of the gold industry, the following opinions are hereby offered:

I. Fully understanding the significance of promoting the sound development of the gold market

The gold market is an integral part of the financial market. Gold has two natures, i.e. finance and goods, and vigorously developing the gold market is conducive to underscoring the role of gold which is different from other financial assets, advancing the complementary and coordinated development of the gold market and other financial markets, further improving China's financial market system, increasing the depth and width of the financial market, promoting the functions of the financial market, enhancing the competitiveness of the financial market and its capability to respond to crises, and maintaining financial stability and security.

The development of the gold industry is conducive not only to improving the competitiveness of China's gold industry, but also to driving the development of other mineral resources. Since the launch of reform and opening up, China's gold industry has developed steadily, a complete industry chain consisting of gold exploration, mining, beneficiation, trading, investment, processing, and retail has taken shape, and the gold production capacity, processing capacity, and consumption level has continued to improve. A gold market with sound functions is able to satisfy the financing needs and risk avoidance needs of industries, reduce the production costs of enterprises, and provide market information to enterprises and is conducive to enterprises formulating reasonable production

and operation plans, promoting the adjustment and upgrading of the industry structure, and improving the competitiveness of the industry.

Chinese residents have a cultural tradition of consuming and investing in gold. With the sound and rapid development of the national economy and the improvement of people's living standards, residents' demand for gold jewelry, gold coins, and investment gold is steadily increasing. A gold market with rich varieties is conducive to broadening investment channels, satisfying diversified investment needs of investors, helping investors allocate assets reasonably, improving investment income, and protecting asset security.

II. Further specifying the development positioning of the gold market

Since the cancellation of the monopoly purchase and distribution policy, China's gold market has developed quickly, a market pattern in which the gold business of Shanghai Gold Exchange, the gold business of commercial banks, and the gold futures business of Shanghai Futures Exchange develop together has been initially established, and coordinated development with the gold industry has been promoted. The development of the gold market in the future shall serve the overall development of China's gold industry, be based on improving the competitiveness of China's financial market, and focus on the important role of the gold market in improving the financial market. Communication and coordination shall be strengthened, and a cooperation and coordination mechanism between Shanghai Gold Exchange and Shanghai Futures Exchange shall be established. Innovation efforts shall be effectively increased, gold derivatives quoted in RMB shall be actively developed, trading instruments shall be enriched, the gold market system shall be improved, market functions shall be further deepened, the regularization and openness of the market shall be heightened, and the shaping of a multi-level market system shall be promoted.

Shanghai Gold Exchange shall specify the direction for its future development and market positioning as soon as possible, improve and strengthen the building of a service system, enhance various systems, and safeguard the well-regulated operation of the market. Shanghai Gold Exchange shall develop new products based on market demand and enrich trading instruments. Shanghai Gold Exchange shall adjust the membership structure according to regulations, departmental rules, and market needs and expand the scope of participants. Shanghai Gold Exchange shall conscientiously listen to the opinions and recommendations of its members and effectively provide services to its members. Shanghai Gold Exchange shall strengthen and improve transactions, gold and funds clearing, certification of conforming gold ingots, and gold warehousing and transportation services. Shanghai Gold Exchange shall thoroughly research the laws of development and change of domestic and international gold industries and gold markets and effectively play an important role in promoting the development of the industry and improving the construction of a gold market system.

Shanghai Futures Exchange shall make full use of the futures market's functions of price discovery and risk management, continuously strengthen the construction of the basic system of the market, and steadily advance the sound development of China's gold risk management market. Shanghai Futures Exchange shall, with a focus on the performance of market functions, continue improving gold futures contracts and business rules, deepen and elaborate gold futures, and enhance its capability to serve the development of the national economy. Shanghai Futures Exchange shall continually improve its capability to control market risks, strengthen the self-regulatory management of its members, and effectively prevent and eliminate market risks. Shanghai Futures Exchange shall optimize the investor structure of the gold market. Shanghai Futures Exchange shall support gold enterprises in actively participating in and using the futures market for hedging and actively guiding financial institutions to employ gold futures to manage risks.

Commercial banks shall, with a focus on the entire industry chain including the mining, production, processing, and sale of gold, effectively innovate financial products, pay attention to improving financial services, strive to heighten the effectiveness of services, and furnish multi-faceted financial services to the gold industry. Commercial banks shall, based on the needs of industry and market development, intensify efforts to innovate products, conduct business such as sales of physical gold, gold leasing, gold forwards, and gold options, increase the types of markets, and meet enterprises' needs for financing and risk avoidance. Commercial banks shall be encouraged and directed to participate in the transaction of gold derivatives quoted in RMB. More financial institutions shall be guided to participate in the gold market so as to increase the breadth and depth of the gold market.

III. Effectively strengthening the construction of the gold market service system

The building of the gold market system shall be strengthened. Shanghai Gold Exchange shall further strengthen the building of the trading system, step up efforts in promoting innovation, and improve the gold market system. Shanghai Gold Exchange shall enrich market trading models, introduce a market maker system, and improve the liquidity of the gold market. Shanghai Gold Exchange shall accelerate the construction of a disaster recovery system and improve the backup system. Shanghai Gold Exchange shall further improve the funds management system and safeguard the security of customer funds.

The standards and accreditation system in the gold market shall be improved. In light of the actual development of China's gold industry and market, drawing on the experience of major international gold markets, the application, accreditation, authentication, and inspection system of conforming gold ingots in China's gold market shall be further improved, the influence of the accreditation system of China's gold market shall be increased, and the establishment of a standards certification system for China's gold market shall be promoted. Based on the national resource strategy and in

light of the characteristics of the gold industry, qualified gold ingot and gold bar load-in enterprises shall be reasonably determined.

The warehousing and transportation system of the gold market shall be improved. Based on the actual circumstances of China's gold production and consumption, the development of the gold market, and other factors, gold delivery warehouses shall be reasonably laid out. Taking into account the operating costs of commercial banks and members, fees for moving gold into or out of warehouses and warehousing fees shall be reasonably fixed. The gold transportation service system shall be improved, and fast and low-cost transportation services shall be provided to the market.

The clearing service system of the gold market shall be improved. To meet the needs of the development of the gold market, the construction of the gold account service system shall be strengthened to provide the market with more convenient gold account and physical gold clearing services, and the physical gold clearing service system shall be further improved. Drawing on international experience, the promotion of various gold account services shall be explored. Funds clearing services in the gold market shall be improved.

IV. Improving the laws and regulations on the gold market and the related policy support system

The construction of laws, regulations, and systems in relation to the gold market shall be accelerated. The issuance of a *Regulation on the Administration of the Gold Market* shall be promoted. Measures for the administration of the import and export of gold and its products shall be formulated and issued. The administration of the gold business of financial institutions shall be strengthened, and the steady and well-regulated development of the gold business of financial institutions shall be guided and boosted.

Relevant taxation policies for the gold market shall be implemented. The taxation policy for the gold of Shanghai Gold Exchange and Shanghai Futures Exchange shall continue to be implemented in accordance with current provisions. The improvement of taxation policies for investment gold and the gold business of commercial banks shall be explored and promoted.

Research on the expansion of the physical supply channels of the gold market shall be made. In light of the actual development of China's gold market, based on market demand, the number of commercial banks qualified for the import and export of gold shall be increased, market innovation shall be facilitated, and market liquidity shall be improved. Based on the principle of market orientation, the gold leasing market shall be further developed.

Financing services in the gold market shall be effectively provided. For large enterprises that meet the requirements of gold industry plans and industry policies, commercial banks shall increase credit lines in accordance with the principles of credit. The focus shall be on supporting the development of large gold groups and the implementation of the "going global" strategy, and financial services

related to supporting large gold groups in "going global" shall be effectively provided. Large enterprise groups shall be supported in issuing enterprise bonds, corporate bonds, medium-term notes, and short-term financing bonds, the financing channels of enterprises shall be expanded, and the financing costs of enterprises shall be reduced. Mergers and acquisitions loans shall be made to enterprises with good conditions, so as to promote industry integration and achieve intensive operations. In light of the industry characteristics and production and processing cycles of gold processing enterprises and retail enterprises, a series of financial service systems ranging from working capital loans to sale of goods shall be shaped. By pledging accounts receivable, mortgaging inventory, and other means, credit products shall be innovated, and services shall be improved. Financial institutions shall be encouraged to launch gold-pledge financing services. For credit problems encountered by gold processing enterprises and retail enterprises, banks shall conscientiously conduct research and produce specific solutions, based on the actual circumstances.

The foreign exchange policy shall be improved. The current foreign exchange administration policy for the gold market shall be further improved. In order to encourage and direct commercial banks to take part in the transaction of gold derivatives quoted in RMB, in light of the construction of the Shanghai Gold Exchange Quotation System, commercial banks that quote gold derivatives in RMB shall be allowed to hedge their domestic gold trading positions overseas without a real trade background and research the feasibility of incorporating open exchange rate positions related to the gold derivatives RMB-quotation transactions into the consolidated foreign exchange positions for domestic closing and covering.

The opening of the gold market shall be promoted. The number of foreign-funded members of Shanghai Gold Exchange shall be steadily increased. It shall be researched and promoted to allow overseas qualified gold ingot suppliers to provide conforming gold ingots to Shanghai Gold Exchange. The participation of overseas institutions in Shanghai Gold Exchange for trading shall be researched and promoted.

V. Effectively preventing risks in the gold market

The regulation of the gold market shall be tightened. All relevant departments shall conscientiously perform their duties related to the supervision and administration of the gold market, strengthen communication and coordination, join forces, effectively safeguard the interests of market participants, and promote the well-regulated and coordinated development of the market.

Commercial banks shall tighten risk control. Commercial banks shall formulate relevant business plans and ensure compliance in conducting business. Commercial banks shall strengthen the construction of relevant systems and effectively protect transaction security. Commercial banks shall,

according to various business characteristics and risk characteristics, take corresponding measures to prevent risks.

Intermediaries shall strengthen self-regulatory management. Shanghai Gold Exchange and Shanghai Futures Exchange shall, based on product launches, system construction, and other circumstances, improve trading, delivery, clearing, gold account services, and other systems to ensure the security of various services. Shanghai Gold Exchange and Shanghai Futures Exchange shall regulate the conduct of members and maintain market order. Shanghai Gold Exchange and Shanghai Futures Exchange shall, based on market changes, promptly take response measures to prevent market risks.

VI. Effectively protecting the interests of investors

Various forms shall be adopted to effectively strengthen the education of investors and cultivate sound gold market investor groups. The training of employees in the gold market shall be strengthened to improve their qualities. Risk education in relation to the gold market shall be effectively enhanced to raise market participants' awareness of risks. Market participants shall promptly report problems, from the perspective of the big picture of safeguarding the interests of investors and maintaining the sound development of the gold market. The conduct of gold market participants shall be regulated, and participation in underground gold speculation shall be strictly prohibited. Relevant departments shall severely punish market participants involved in underground gold speculation and record relevant information in the credit information system.

The People's Bank of China

The National Development and Reform Commission

The Ministry of Industry and Information Technology

The Ministry of Finance

The State Administration of Taxation

The China Securities Regulatory Commission

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