METALS

Shanghai Gold Futures FAQ

1. What are the Shanghai Gold (USD) Futures and Shanghai Gold (CNH) Futures contracts?

The Shanghai Gold (USD) Futures and Shanghai Gold (CNH) Futures are new products offered by CME Group. These financially settled contracts are based on the Shanghai Gold Exchange (SGE) Benchmark Gold PM price.

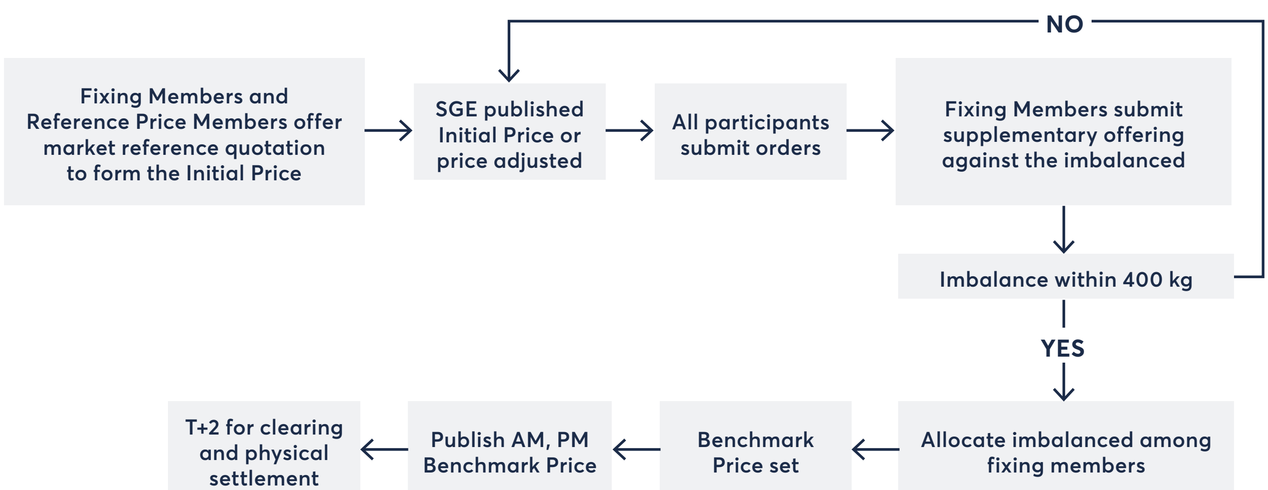
2. What is the reference price?

The reference price is the Shanghai Gold Exchange Benchmark Gold PM price. The SGE Benchmark Gold Price refers to an RMB denominated price established in an auction process following the principle of 'tendering volume based on price' with all orders executed on the SGE trading platform.

3. How is the Shanghai Gold Benchmark price determined?

The SGE Benchmark Gold Price is established in a standalone auction process with all orders executed on the SGE trading platform. The main purpose for the SGE Benchmark Gold Price trading mechanism is to determine a reference price for gold in Shanghai at which supply and demand reach a balance. There are 3 main steps in determining the price:

- The Shanghai Gold Benchmark trading system calculates and publishes an Initial Price based on reference prices provided by the Fixing Members (12 banks currently) and Reference Price Members (6 firms currently, mainly physical players).
- All SGE members and clients submit their buying and selling quantities based on the Initial Price. If the net volume in the market is imbalanced, SGE will adjust the price following trading rules, and enable a new round of order submission against the revised price. The market is considered to be imbalanced if buying and selling quantities differ by more than 400kg. This price adjustment process is repeated until the market reaches equilibrium (i.e. has an imbalance at or within 400kg.).
- Once the SGE Gold Benchmark Price is determined, all valid orders are executed at this price, and any imbalance is allocated among the Fixing Members.



4. **What is special about these contracts?**

These contracts offer customers the opportunity to participate in the Chinese gold market and trade Shanghai gold in either U.S. dollars or offshore Chinese Renminbi. Having Shanghai gold contracts available on COMEX makes the Chinese market accessible to market participants.

5. **Why is the underlying price relevant?**

The SGE Benchmark Gold price has been developed to provide a transparent and tradeable Renminbi denominated gold price to market participants. With China being one of the world's largest gold producers and importers, gold priced in Renminbi has become increasingly important in the global trade.

6. **Where are these futures contracts traded and cleared?**

- The contracts are listed for trading on COMEX on CME Globex, a global electronic trading platform and cleared by the CME Clearing House.
- The contracts can also be bilaterally agreed as a block trade and cleared via CME ClearPort

7. **What are the specifications of the contracts?**

	Shanghai Gold (USD) Futures	Shanghai Gold (CNH) Futures
Commodity Code	SGU	SGC
Reference Price	Shanghai Gold Exchange (SGE) Gold Benchmark PM price	
Listing Schedule	Monthly contracts listed for three consecutive months and all February, April, June, August, October, and December contracts within a 12-month period	
Contract Size	32.15 troy ounces	1,000 grams
Price Quotation	U.S. dollars and cents (USD) per troy ounce	Offshore Chinese Renminbi (CNH) per gram
Minimum Trading Price Fluctuation	$0.10 per troy ounce	0.05 CNH per gram
Value per Tick	$3.215	50 CNH
Minimum Daily Settlement Price Fluctuation	$0.10 per troy ounce	0.05 CNH per gram
Minimum Final Settlement Price Fluctuation	$0.05 per troy ounce	0.01 CNH per gram
First Listed Contract Month	December 2019	
CME Globex Match Algorithm	First-In, First-Out (FIFO)	
Settlement Method	Financial	
Block Trade Minimum Threshold	5 contracts	
Termination of Trading	Trading terminates on the third last U.S. business day of the contract month unless it is not a Chinese business day. If it is not a Chinese business day, trading terminates the previous U.S. and China business day.	
Rulebook Chapter	127	128

8. How is the SGE Gold price converted for the Shanghai Gold (USD) Futures contract?

For final settlement, the USD/CNH rate provided by EBS Service Company Limited will be used for the conversion of the SGE gold price to USD price. The rate published will be used closest to the time the SGE Gold PM price is generated.

9. What currency accounts are needed to access these products?

Two futures contracts are being listed by COMEX. One contract is denominated in U.S. Dollars, with a commodity code of SGU. Prices for this contract will be quoted in U.S. Dollars per troy ounce. Variation margin payments will be made in U.S. Dollars, and participants wishing to use this contract will need to have access to a US Dollar denominated account with their COMEX clearing member.

The other contract is denominated in offshore Chinese Renminbi ("CNH"), with a commodity code of SGC. Prices for this contract will be quoted in CNH per gram. Variation margin payments will be made in CNH, and participants wishing to use this contract will need to have access to a CNH denominated account with their COMEX clearing member.

Both the contracts are cash settled. Therefore, a gold account at the Shanghai Gold Exchange is not required to support these products.

10. What is the regulatory status of these products?

These products are listed on COMEX which is regulated by the Commodity Futures Trading Commission (CFTC). The Shanghai Gold Exchange which generates the reference price is regulated by the People's Bank of China (PBOC).

For more information on our suite of gold products, please visit cmegroup.com/gold, or email metals@cmegroup.com

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