



**CHINA'S GOLD MARKET:
Development and Opening-up**

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CONTENTS

KEY FACTS

LATEST DEVELOPMENT

OPENING-UP



PRODUCTION

Ranked as Top for 7 years



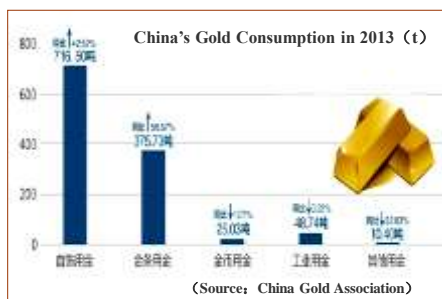
- China's gold production reached 428.16 tonnes in 2013. That was the seventh straight year for the country to be first in gold production.
- In the same year, with 761.40 tonnes of newly discovered gold reserves and 28 new mines, China ranked second in the world by owning nearly 9,000 tonnes of identified gold mining reserves.



CONSUMPTION

Became World No.1 in 2013

- China's gold demand jumped to 1,176.40 tonnes in 2013, ranking as the world's biggest gold consuming market for the first time in history.
- China's gold jewellery sales volume stood at 400 billion yuan in 2013, making it the most important jewellery market worldwide.





IMPORTATION

Gold from "West to East"



- In recent years, backed up by the enthusiasm of Chinese housewives' "Gold Rush", China's gold importation witnessed a continuous spike.
- Shanghai Gold Exchange, China's largest bullion bourse, stored 2,198 tonnes of gold in its vaults and delivered 2,197 tonnes of gold to its customers in 2013.



OUTLOOK

China's Positive Strength + + +

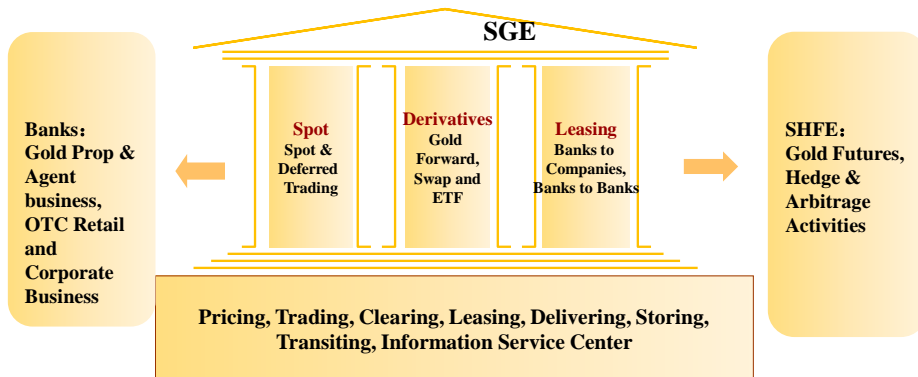
- China's gold production and consumption in the first quarter of 2014 totalled 96.50 and 322.99 tonnes respectively, up 7.33 and 0.76 pct from the same period of 2013.
- Though becoming the world biggest gold producing country, its gold buying per capita stood at just 4.5 grams, much lower than the world average level, indicating it still boasts huge potential in the future.





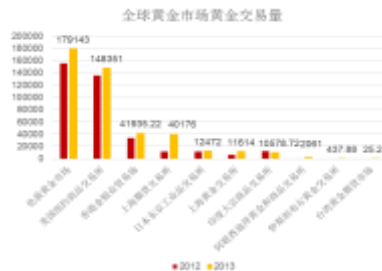
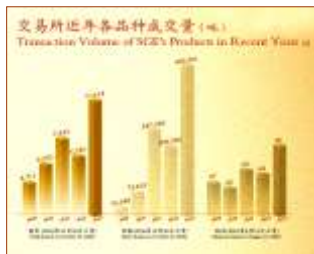
Market Structure

One Body Two Wings



Market Development

Start from Scratch



- Ever since its official opening at 2002, Shanghai Gold Exchange has played irreplaceable important role in allocating the market resources, improving the industrial structure and serving the real economy, thus won the title of “the successful model of the emerging gold markets” .
- In 2013, Shanghai Gold Exchange traded 11,614 tonnes of gold and 430,501 tonnes of silver, further consolidating its position as the global leading spot gold and silver exchange.



Market Scenario

Great Potential Ahead



- **Period of strategic opportunities:** with the rapid growth of the national economy, the continuous rise of the gold investment demand, China's gold market is in a period of strategic opportunities.
- **Period of development acceleration:** with the improvement of the market system and the diversification of the trading products, China's gold market is in the period of full acceleration.
- **Period of internationalization kick-off:** with the promotion of the internationalization of RMB and the set up of Shanghai FTZ, China's gold market is ready to open up.



GOALS



- To grasp the opportunity of RMB's internationalization and gradually push the opening-up of China's gold market.
- To take the advantage of the establishment of SGE International Board and fully realize the full opening-up of China's gold market.
- To aim at serving the global investors and build a world-class gold trading market.





POLICIES

SGE International Board

- ▶ The People's Bank of China has approved the establishment of SGE international board in the FTZ.
- ▶ According to the latest policy, SGE International Board will be included in the Shanghai FTZ FTA management system .
- ▶ SGE International Board will attract overseas investors, offshore RMB as well as other convertible currencies to the market.



FTA



HIGHLIGHTS

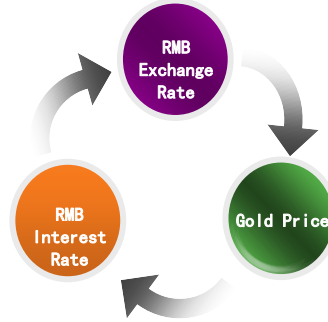
SGE International Board

- ▶ **Participant:** International members (Legal entities from overseas market or registered in the Shanghai FTZ) and clients (Legal entities and individual investors from overseas market) are welcomed to participate.
- ▶ **Transaction:** International members and clients shall trade via SIGEX, a SGE subsidiary established in Shanghai FTZ, with the offshore RMB and other convertible currencies.
- ▶ **Import & Entrepot:** Gold contracts listed on International Board which are deliverable in the FTZ + Gold vault with 1,000 tonnes of storage capacity set up in the FTZ for physical storage, delivery and safe deposit by international members and clients.
- ▶ **Settlement:** International members and clients shall open FTA account for the capital clearing and settlement. The capital is operated in the entirely enclosed system in accordance with the principle of “ capital returns to where it comes”.



PROSPECTS

SGE International Board



- To transfer the China's positive strength and promote the sound development of the global gold market.
- To enhance the gold entrepot business and promote the regional and global physical gold transaction.
- To increase the arbitrage among RMB interest rate, exchange rate and gold price, enrich the trading strategies and improve the market liquidity.
- To be fully involved in the international competition, allocate the global resources and discover the RMB gold price.



- ▶ We are currently working on preparations for the international board to be launched within the year.
- ▶ **SGE welcomes you to join us and work with us for a better future !**



Thank you !