



Building A Physical Gold Corridor in Asia Plus

(Shanghai - Hong Kong / Qianhai - Singapore)

5 June 2017



Dr. Haywood Cheung

President, The Chinese Gold & Silver Exchange Society

A New Chapter of the Chinese Gold & Silver Exchange Society

5 June 2017



CGSE background

- Founded in 1910
- sole exchange recognised by the Hong Kong Government
- daily transaction value ranges from HK\$ 100bn to HK\$ 120bn.



Members



Xi Jinping (The President of PRC) visited Qianhai in 2012



Mission: 1500 ton bonded warehouse



CGSE Role in QH





Mr. Denny Wu,

Sr. Vice President, Ping An Commodities Trading Co., Ltd.

Qianhai Bonded Warehouse, the Bridge of the Gold Corridor

5 June 2017



China's Gold Market Present Situation

中国黄金市场现状

Three Markets

三个市场



The Interbank Market 银行间交易市场

- *Where Shanghai Gold Exchange and Shanghai Futures Exchange is located.*
- 上海黄金交易所及上海期货交易所所在地
- *Where Gathered the headquarters of domestic Banks' trade department to deal on the board and OTC, which accounted for about 70% of SGE and 40% of SHFE's gold trade volume.*
- 聚集国内银行总行交易部门进行场内及OTC交易，分别占SGE交易量约70%及SHFE黄金合约交易量的40%



The Gold Jewelry Market 黄金珠宝市场

- *The jewelry gold industrial chain in Shenzhen which is the biggest manufacturing and trading center consists of 3600 jewelry companies, hiring over 400K employees and covering 60% capacity of the gold jewelry in the China mainland.*
- 深圳黄金珠宝产业链，3600余家黄金珠宝企业，是深圳市六大优势传统产业之一，是我国珠宝首饰业的制造中心与交易中心，占全国黄金珠宝产能的60%，直接从业人数超过40万。



Entrepot Trade Centre 转口贸易中心

- *Hong Kong is the largest gold transit center over China, which contributes 80% of China's physical gold import.*
- 香港是中国周边最大的黄金转运中心，约占每年中国实物进口黄金总量80%
- *In 2016, the net exports volume of gold from HK to China is about 771 metric tons while 862 metric tons in 2015.*
- 2016年香港对中国的黄金净出口约771公吨，2015年则为862公吨。

China's Gold Market Present Situation

中国黄金市场现状

Two onshore Exchanges in Shanghai & One offshore Exchange in Hong Kong

两个在岸交易所（上海）+ 一个离岸交易所（香港）



Major listed contract is the onshore physical gold and the offshore international board physical gold in Free Trade Zone.(CNY,CNH Contract)

主要经营国内黄金现货合约及自贸区内国际板合约



上海期货交易所
SHANGHAI FUTURES EXCHANGE

Major listed contracts are the onshore gold futures contracts.(CNY Contract)

主要经营国内黄金期货合约



Major listed contracts are the offshore Hong Kong physical gold and the Loco London contracts.

(HKD,USD,CNH Contract)

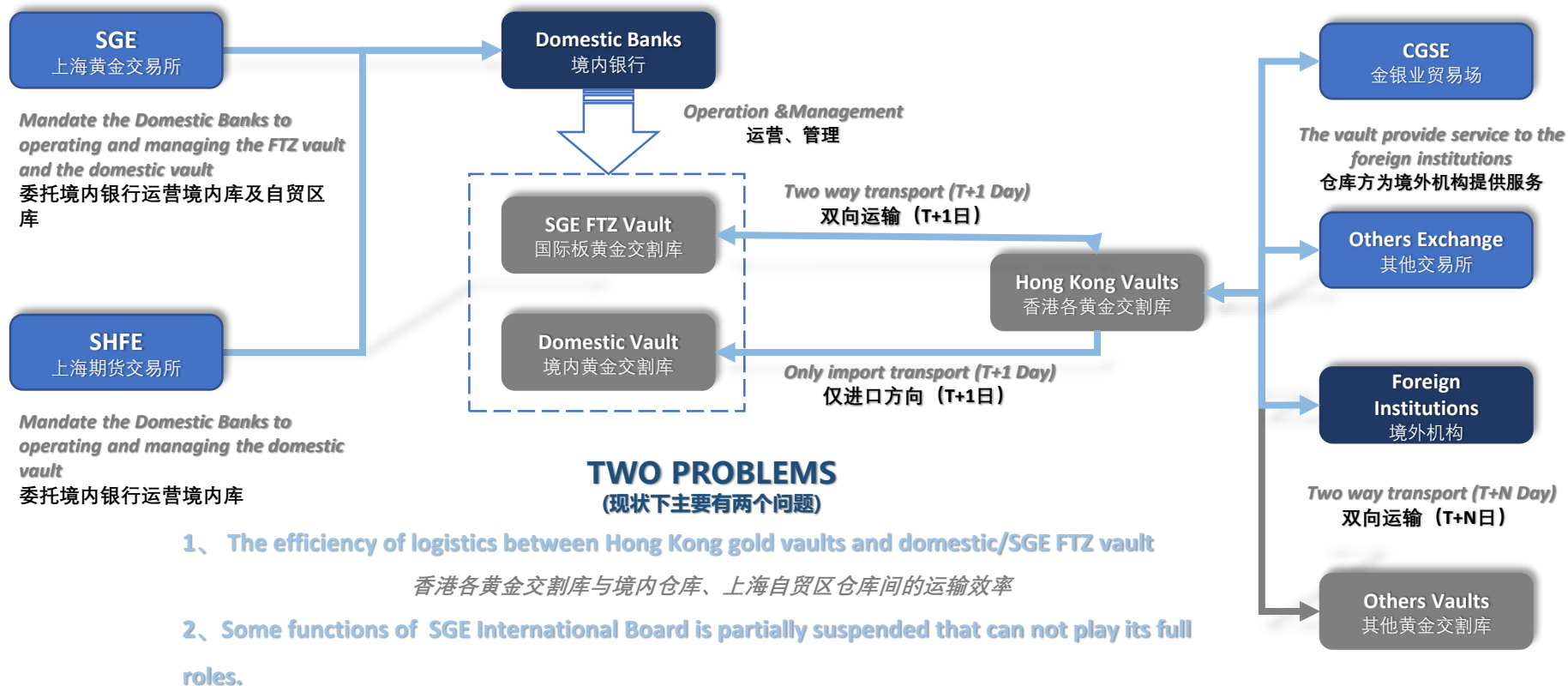
主要经营香港金现货合约及伦敦金现货合约

China's Gold Market Present Situation

中国黄金市场现状

Situation and Problem of Vaults in China

交割库现状及问题



The Qianhai Bonded Vault Project of CGSE

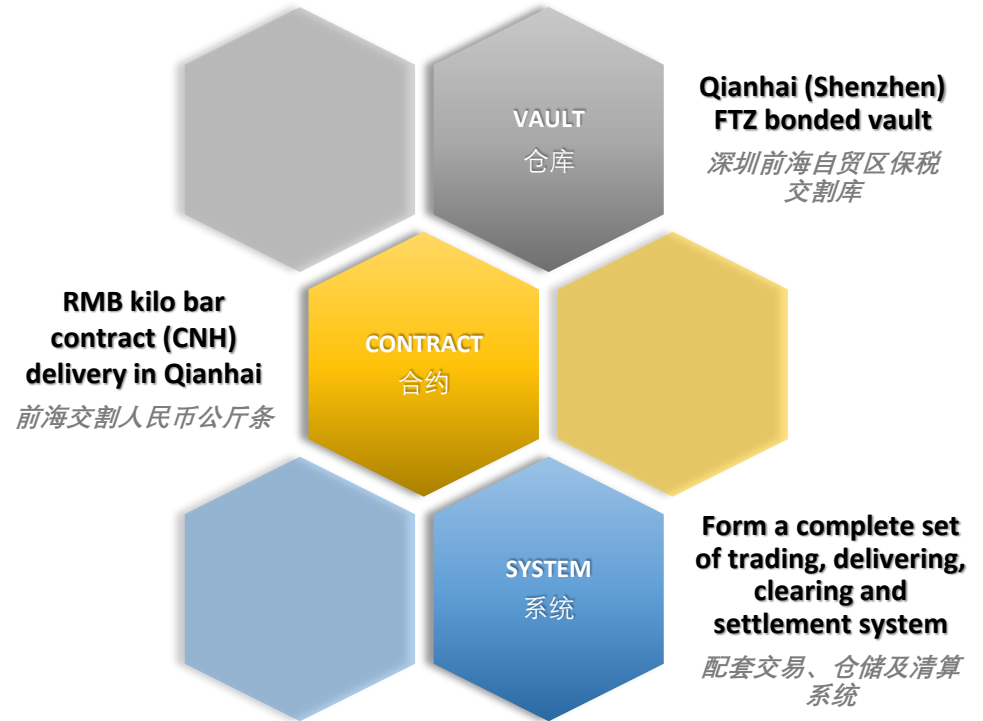
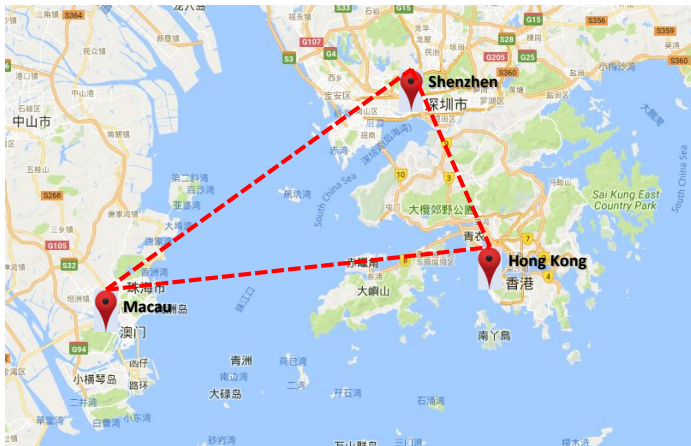
香港金银业贸易场前海保税交割库项目

Qianhai (Shenzhen) Project Introduction

前海项目介绍

The QH Free Trade Zone Bonded Vault Project can be summarized as “Trading in Hong Kong, Clearing and Settlement in Macau, Delivery in Qianhai (Shenzhen)”, which can connect the Asia-Pacific market and international market by using CNH as the settlement currency. The whole operating pattern aims to be the service center provides the delivery, settlement and storage.

前海自贸区保税交割库项目可概括为“在港交易、在澳清算、前海交割”，可以连接亚太市场及国际市场利用人民币进行结算交割。整体运营模式是集交割、结算和仓储为一体的服务中心。



The Qianhai Bonded Vault Project of CGSE

香港金银业贸易场前海保税交割库项目

Mentality of Qianhai (Shenzhen) FTZ Bonded Vault System

前海自贸区保税交割仓库体系设计思路

Convenience
便捷

- **One-stop service experience, offshore financial services, physical inspection services, insurance**
- 一站式服务体验，离岸金融服务、实物检验服务、保险保价服务
- **Be designed for others precious metals and be integrated with the others exchange**
- 预留扩展仓库，可存放其他贵金属，可与境内外交易所联通的接口

Efficiency
高效

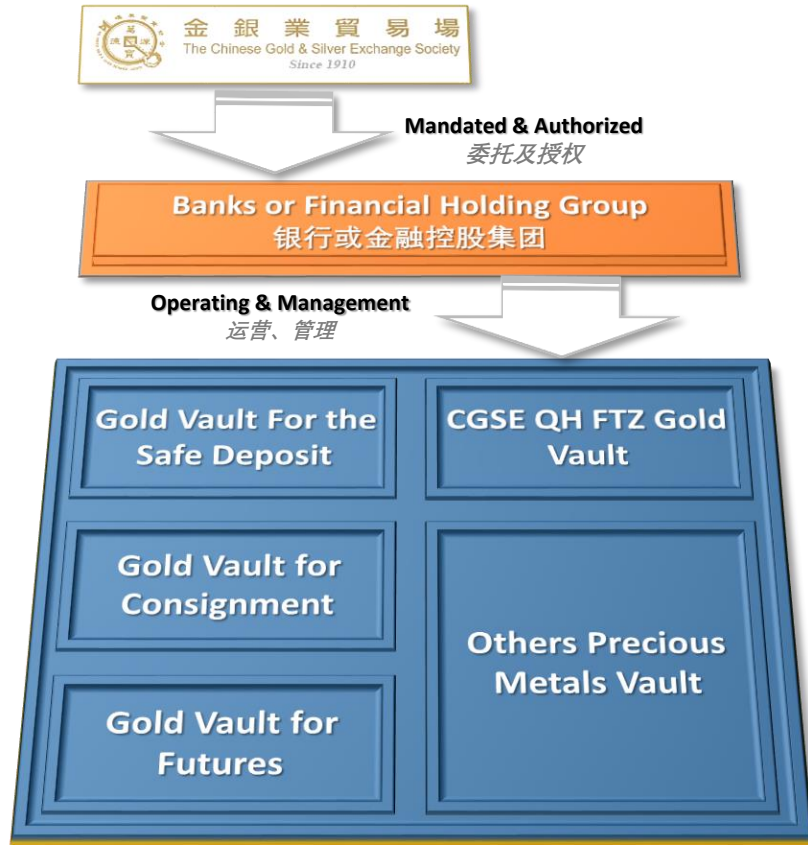
- **Shorten the gold transit between Hong Kong and China Mainland last 50km to increasing efficiency of delivery**
- 缩短香港与大陆间黄金转口最后50公里路程增加交割效率
- **The good delivery of the new CNH Kilo Bar contract will be required as both the SGE and LBMA's good delivery**
- 配套的CNH公斤条合约将指定SGE与LBMA均可交割的实物黄金

Safety
安全

- **The vault will have the full amount insurance for the precious metal stored**
- 仓库将对存放其中的贵金属货物进行全额保险
- **The well-renowned international financial group will have the credit back ups for the vault**
- 引入大型金融机构作为仓库信用背书
- **The setup of offshore vault will not have any contradiction of domestic policies regarding foreign exchange and gold**
- 离岸库的设计不影响国内外汇及黄金整体政策

The Qianhai Bonded Vault Project of CGSE

香港金银业贸易场前海保税交割库项目



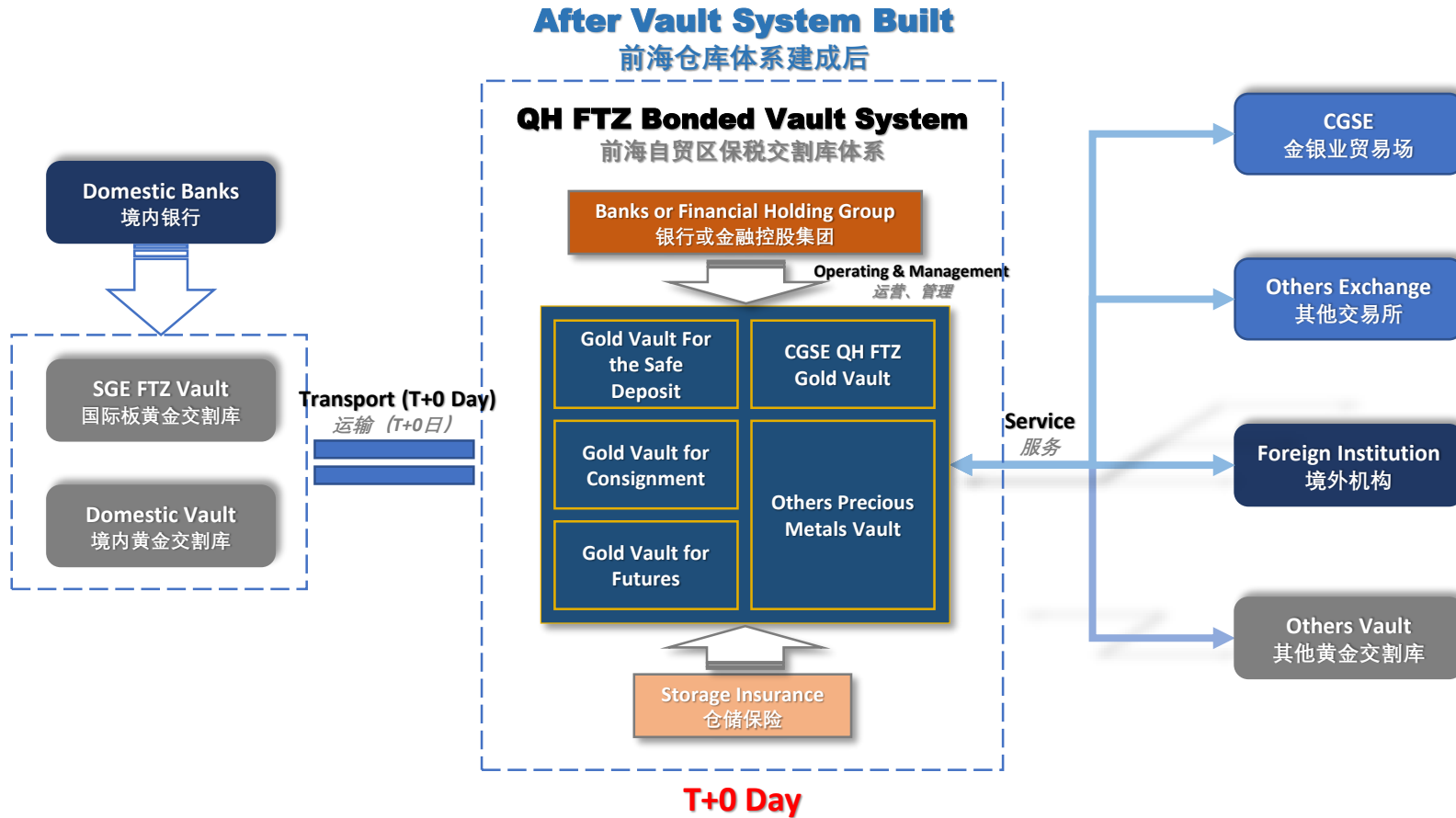
Planning of Vault

交割库设计

- **CGSE QH FTZ Vault** : Used to the delivery and storage of the new CNH Gold Contract
 - 用于金银业贸易场新人民币公斤条合约的交割及仓储
- **Gold Vault for futures** : Preparing for the oversea exchange's future contracts
 - 用于对接境外其他交易所期货合约的交割
- **Gold Vault for Consignment** : Preparing for banks who need to do gold consignment
 - 用于对接寄售或自有境外实物黄金库存
- **Gold Vault for the Safe Deposit** : Preparing for domestic exchange
 - 用于对接境内交易所预留仓储空间
- **Others Precious Metals Vault** : Used to the storage for physical silver outside China and the delivery of the future contract
 - 主要用于中国境外白银现货的仓储及期货合约的现货交割

The Qianhai Bonded Vault Project of CGSE

香港金银业贸易场前海保税交割库项目

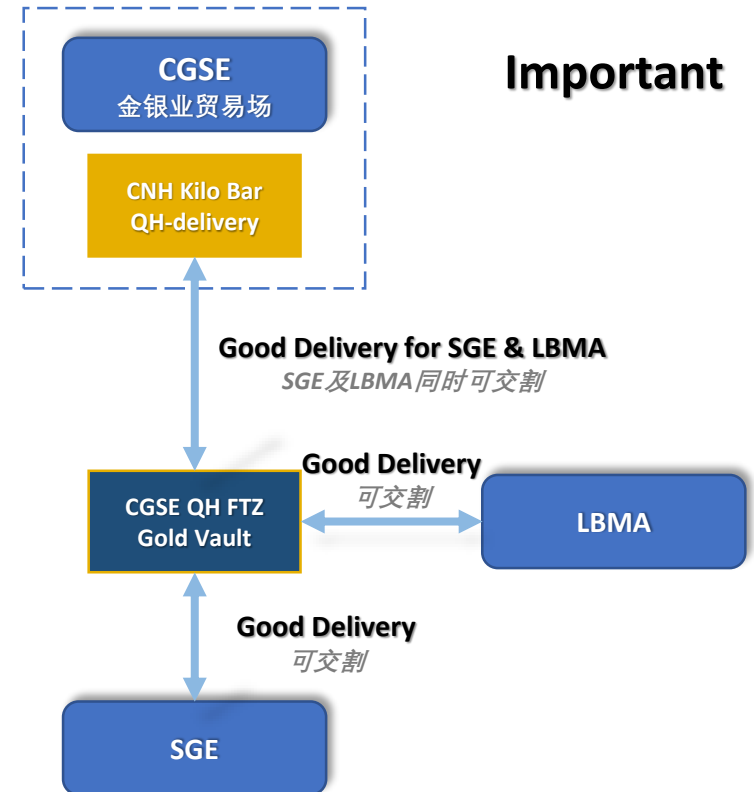
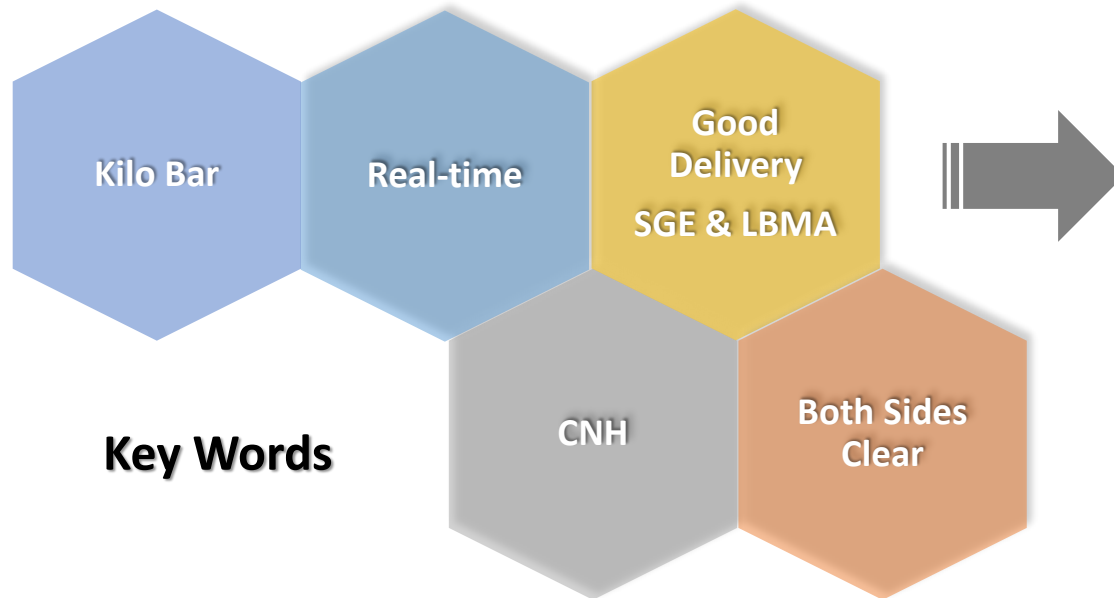


The Qianhai Bonded Vault Project of CGSE

香港金银业贸易场前海保税交割库项目

Planning of the Contract

交易合约设计

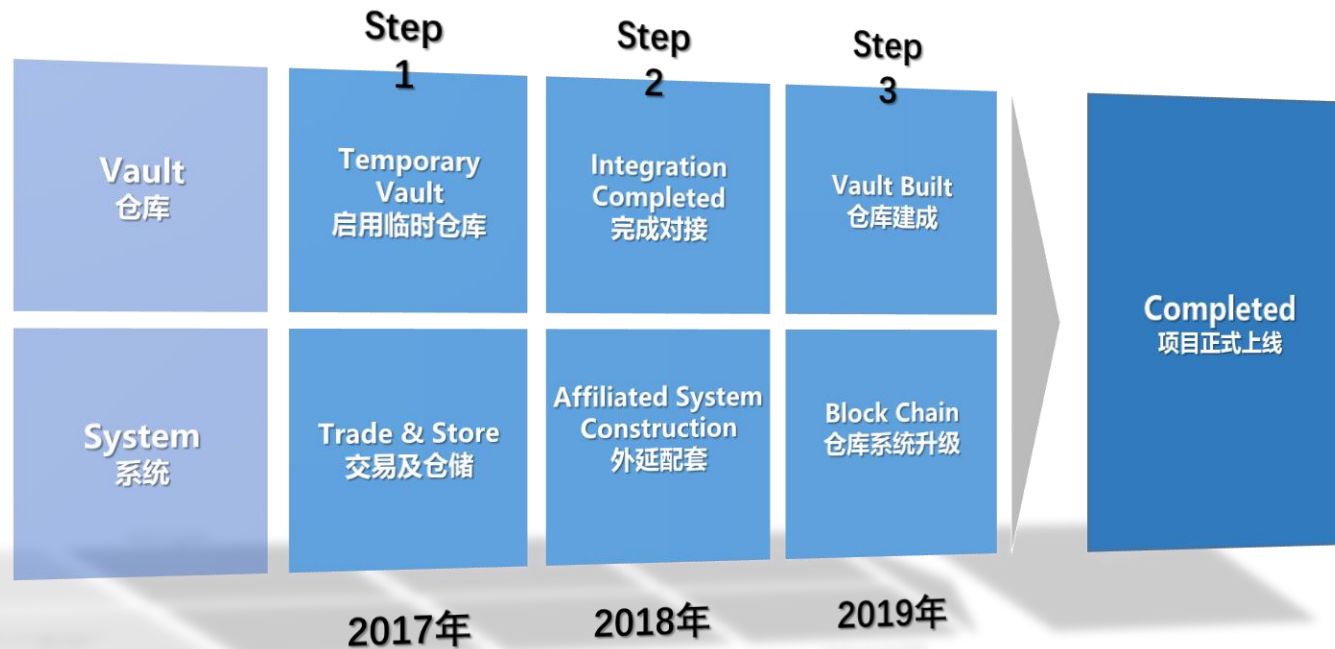


The Qianhai Bonded Vault Project of CGSE

香港金银业贸易场前海保税交割库项目

The Path

项目路径



Mr. Raymond Chan

Former President (1996-2000) & Advisor to
Shenzhen Qianhai Chinese Gold & Silver Exchange Society

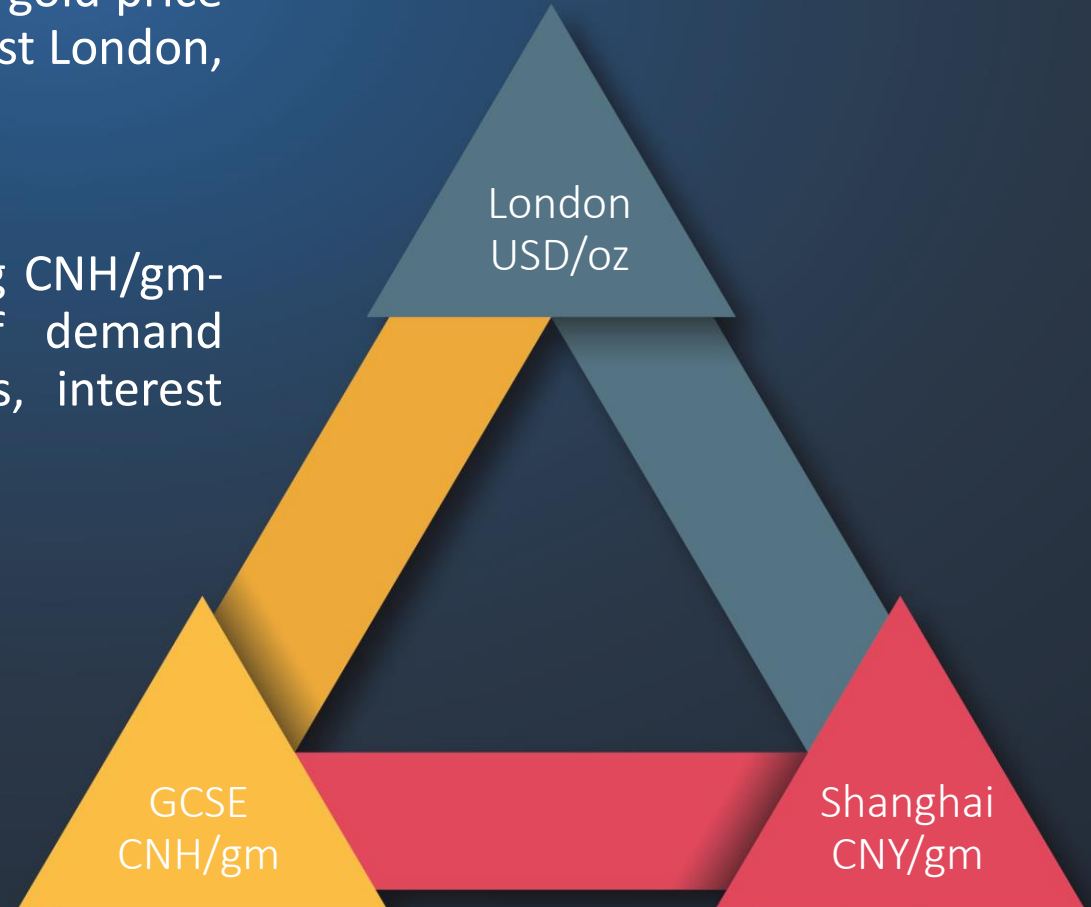
Opportunities of Qianhai Bonded Warehouse Project

5 June 2017



The participation of offshore RMB to trade gold

- The premium / discount of China gold price RMB/GM can be arbitrated against London, ie USD/OZ.
- The triangle in the mkt, meaning CNH/gm-CNY/gm-USD/oz, on factors of demand supply, liquidity, exchange rates, interest rates.



The location swap

- There will be 3 regional depository namely at Singapore/ HK /Qianhai Free-trade Zone.
- Logistic. Convenience to participants in the region, minimizing unnecessary movements, creating friendly and efficient trading / hedging/ arbitrage opportunities. Premium or discount edges.
- Time-cost-liquidity for traders and manufacturers.
- soft ware services for logistic institutions like data records of transfers, custodian, bulk size movements.
- Financing.



Singapore



Shanghai Gold Exchange
China the largest
producer and consumer
of Gold



Australia
The second largest
gold producer



UK
LBMA
Loco London



USA
COMEX Future

Product swap

- Dore-fine bars-new jewellery-jewellery scrap-unrefined bars.
- Enhancing refiners, jewellery manufacturers, jewellery wholesalers, jewellery retailers.



Financing

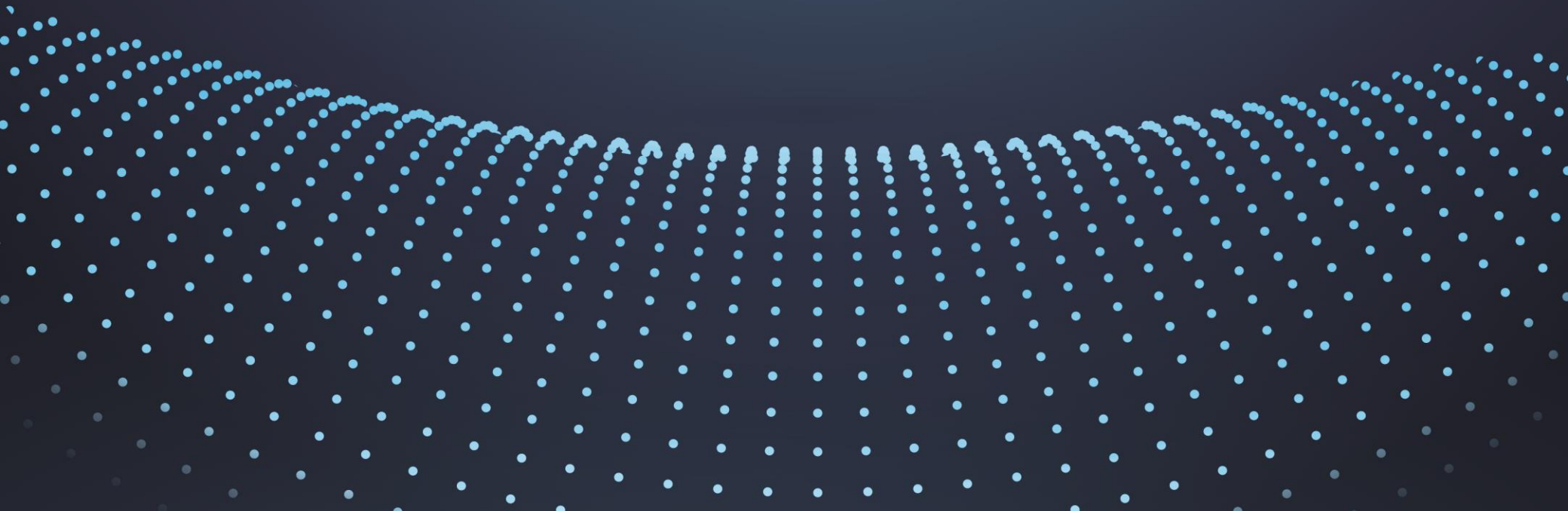
- Transaction banking = cash-gold liquidity.
- Interest spread from different demand / supply clientele in the region.
- B/ + C/ financing requirements.
- Bridging financing in the industry, facilitate a vertical integration.



Mr. Albert Cheng,
CEO, Singapore Bullion Market Association (SBMA)

Closing Remarks

5 June 2017





Questions & Answers



Thank You

MOU between CGSE and SBMA on Closer Cooperation between Hong Kong and Singapore Precious Metals Sector

5 June 2017

