

# Editorial Comment: Leadership, Integrity and Trust

By Ruth Crowell, LBMA Chief Executive

It is probably an understatement to say that there have been a lot of developments and changes in the bullion market since I became Chief Executive just over three years ago. The LBMA has had to expand its role and reach to meet the associated challenges. In a recent exercise, the LBMA Board and Executive identified Leadership, Integrity and Trust as the three key values for the LBMA. If we are doing our job well, Members, clients, regulators and other stakeholders should associate those values with the Association. Collectively, I believe they encapsulate the vision and mission of the LBMA and provide a framework for the way that the Executive conducts its work. My first editorial focused on regulation and how it was taking up an increasing amount of the Executive's time. Some things never change, but whilst regulation remains a priority, I also want to focus in this editorial on the wider raft of issues that the Executive is now faced with and how each of them align to the three key words.

## Leadership

In recent weeks, the LBMA has been processing and incorporating the comments and feedback received from the market-wide consultation on the new Precious Metals Code. The Code will be issued at the same time as the FX Code, prepared by the Bank of England and scheduled for publication on 25 May 2017. The new Code will apply to all precious metals market participants and will provide guidance on best practice for market conduct. This includes principles that should be adopted by Members, including ethics, compliance, governance and risk management, as well as pre-trade, execution and post-trade business conduct. I would encourage you all to embrace the Code to ensure best practice is followed in the market.

The LBMA continues to lobby, along with other industry bodies, the European Commission to amend the proposed Net Stable Funding Ratio (NSFR) of 85% for gold. After many years of working to raise awareness, I'm delighted that so many Members and market participants have provided their support to assist us with our lobbying efforts. It is clear that such a requirement would have a serious impact on the bullion market and I would encourage all Members to continue to provide your support and assistance to the LBMA in any way that you can.

## Integrity

To complement the now well-established Responsible Gold Guidance (RGG), the LBMA is proposing to extend its Responsible Sourcing initiatives to include a Responsible Silver Guidance (RSG) programme. The LBMA is currently engaged in a consultation exercise with participants in the silver market and GDL refiners, with a view to making compliance

with the RSG mandatory in 2018. The new RSG will be implemented later this year and will provide refiners with a tool to demonstrate not just compliance with regulations on conflict minerals, but other responsible sourcing issues, such as those relating to anti-money laundering. The introduction of the RSG adds integrity to the Silver Good Delivery List. We are grateful to those refiners who voluntarily underwent a Responsible Sourcing audit for all four metals as part of their 2016 audit assessment. This will prove extremely practical for the consultation.

Indeed, the integrity of the Good Delivery List (GDL) remains at the heart of the work of the LBMA. Any incidents or issues that may put the credibility of the GDL and the London bullion market in doubt are treated very seriously. The LBMA has a standard procedure that enables it to handle such incidents and issues in a systematic way to maintain the credibility of the GDL generally but the RGG in particular. Under this Incident Management Process, the LBMA stands ready to take action whenever appropriate, with the ultimate sanction to move to the former lists any refiner who is in breach of the process.

The LBMA continues to maintain a close relationship with the Bank of England. There is also a range of other legislation in relation to commodities as well as recent EU regulations, including EMIR, which have focused on reporting requirements for forward markets. We still await final MIFID definitions, although it is not clear at this stage what exactly will be included. The LBMA Executive will continue to keep a close eye on regulatory developments and respond to them as and when appropriate.

## Trust

The LBMA is also developing an ever closer relationship with the London Precious Metals Clearing Limited (LPMCL). The relationship was recently formalised with the signing of a Service Level Agreement (SLA). The LBMA is now the registered head office for the LPMCL and will assume responsibility for the administrative and secretarial duties on their behalf. The Executive has also been working closely with the LPMCL on upgrading and rebranding its website to align more closely with the LBMA's. It is expected that this will be launched soon. The LBMA has also been collecting clearing statistics for platinum and palladium from the LPMCL Members and, following a period of quality checking, these will be published monthly at the same time as the gold and silver clearing statistics. The LBMA and the LPMCL are also delighted to announce that from summer 2017, the LBMA will be publishing the gold and silver physical precious metals holdings of the London vaults, with the platinum and palladium holdings to be published at a later date. The data will be published monthly (three months

in arrears), on an aggregated basis. In order to provide clarity around what the data represents, it is proposed that the first set of numbers will be accompanied by a detailed commentary, with the data published monthly thereafter.

Publication of physical holdings represents a further step towards improved transparency of reporting for the London precious metals market, in line with the recommendations of the Fair & Effective Markets Review. Publication of aggregate physical holdings is the first step in reporting for the London precious metals market. The next step is trade reporting. The collection of trade data will add transparency to the market and provide gross turnover for the Loco London market, which previously had been calculated from one-off surveys or estimated from the clearing statistics. The requirement will be to report for all four metals all spot, forward, options, deposits, loans and swaps, whether Loco London, Loco Zurich or other locations. Reporting will be through LBMA-i, which can be accessed through portals operated by Cinnober Boat or Autilla. Bilateral meetings have already taken place with all market makers to explain the reporting requirements and how they are required to report. Further meetings with all other participants who trade are taking place and are expected to continue over the coming weeks and months. Reporting will begin later this year in a phased approach and, following a period of quality checking the data, it is expected that it will be published in early 2018.

Last year, the LBMA introduced changes to the structure of the Board, for example, the appointment of new independent Non-Executives, including the Chairman, Paul Fisher. The structure, services and governance of the LBMA will continue to evolve to serve the market, but the fundamental role of the LBMA will not change. That role is to ensure that the London bullion market continues to serve the needs of its Members and their customers in what is truly a global business. I invite you to support the LBMA in all the initiatives described above and help us to demonstrate leadership, integrity and trust.

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