

LBMA News

By Ruth Crowell, LBMA Chief Executive

Membership

On 5 April 2017, Ping An Bank Co., Ltd. was admitted as a Full Member.

These changes brought the total membership to 146 companies, comprising 13 Market Makers, 57 Full Members, 10 Affiliates and 66 Associates.

Good Delivery List

There are currently three active applications for silver, one of which is in the initial review stage and two are in Stage 2. One application for gold has been received and undergone the initial review.

There are presently 70 refiners on the gold Good Delivery List and 79 on the silver Good Delivery List.

LBMA Board

The Board has been focused on an ever full agenda in recent weeks, looking at a range of strategic issues, including initiatives in respect of Responsible Sourcing and Due Diligence, as well as trade reporting, finalising the Precious Metals Code and lobbying in respect of the Net Stable Funding Ratio (NSFR). The Board have also been involved in the recent launch of the Request for Proposal (RFP) process in relation to the LBMA Silver Price auction. This RFP is following CME Group's and Thomson Reuters' announcement that they will be stepping down as administrators of the LBMA Silver Price auction. Since then the LBMA has received a number of expressions of interest and has also consulted with market participants to prepare a RFP which was subsequently launched in mid-April. It is expected that a decision will be announced by the Summer, with implementation planned for the Autumn. During the transitional period, CME Group and Thomson Reuters have committed to the market to continue to administer the auction until a new provider is fully implemented. This is to ensure the continuity and integrity of the LBMA Silver Price during this transition.

Subcommittees

Regulatory Affairs Committee

The Committee continues to provide guidance to the LBMA in respect of a wide range of regulatory developments as well as continuing to provide support and advice to the wider LBMA membership. One of the issues that the Committee has been focused on is reviewing the comments and feedback received from the market-wide consultation on the new Precious Metals Code, which closed on 28 February. The Code will be published on 25 May 2017 at the same time as the FX Code

is published by the Bank of England. Other issues which the Committee continues to be currently focused on include the RFP process to identify a new solution provider for the LBMA Silver Price auction, LBMA-i Trade Reporting initiative, NSFR, the Market Abuse Regulation regime, Margin Requirements for Non-Cleared derivatives, as well as the EU Conflict Minerals legislation. For further details, as well as other regulatory information, please refer to the Regulatory Update on page 27.

Physical Committee

The Physical Committee has been focused on an ever expanding range of issues, including the continued enhancement of the integrity of the Good Delivery Lists, processing a number of new and existing GDL applications (with more in the pipeline), and the continued development of the responsible sourcing programme to encompass the implementation later this year of Responsible Sourcing for silver.

The first round of Proactive Monitoring is due to start, based on the revised schedule and the new requirement for refiners to demonstrate the ability to cast London Good Delivery bars, if they have not recently sent large bars to London.

The latest round of proficiency testing was completed and the report was circulated to all participants. For the first time, the Proficiency Testing scheme was extended to include silver. 67 refiners participated in the scheme, with 55 of these refiners participating in silver and 60 in gold. A presentation was delivered by Jonathan Jodry at the recent LBMA Assaying and Refining Conference (A&R), which is available on the LBMA's website.

The LBMA would like to thank the A&R Working Party for its hard work in regards to the speaker programme for the Conference, which was considered the most successful one to date, with a record attendance of more than 200 delegates. A full review of the Conference can be found on page 16.

Membership Committee

The Committee's work continues to focus on the development and implementation of the Due Diligence Policy. With the pilot scheme completed, the Committee is now focused on implementing the policy, which will be executed on a staggered basis for all members.

The Committee is also processing a number of new applications for Full Member, Associate and Affiliate status as well as undertaking a review of the sponsorship process. Any companies including refiners, producers or central banks that may be interested in applying for membership are

invited to contact the LBMA Executive at: mail@lbma.org.uk.

Public Affairs Committee

The Committee is focused on preparations for the annual Conference in Barcelona. As well as preparing a high-quality speaker programme, one of the other key considerations for the Committee is evaluating the feedback from last year's Conference. The Committee will consider improvements to the format and structure of the programme as well as ways to deliver improved networking opportunities for delegates, for example, by introducing new technologies and extended breaks.

The LBMA is proposing to sponsor two PhD students to undertake research on precious metals related projects. One bursary has been advertised through Trinity College, Dublin (Dr Brian Lucey) and the other through the Institute of Materials, Minerals and Mines (Dr Graham Woodrow). In return, the successful candidates would be expected to meet with industry representatives via the LBMA, contribute occasional articles to the *Alchemist* and attend industry conferences.

Finance Committee

One of the other key areas that the Committee has been focused on is the budget and forecast out to 2019. This work will ensure that the LBMA continues to meet the growing needs of the market. The Committee has also been focused on finalising the budgets for recent events, including the Annual Party and the recent Assaying & Refining Conference.

The Committee is also monitoring the financial management integration workstream of the LBMA's new customer relationship management (CRM) project, which will be launched shortly. Look out for further member communications for updates on the CRM project.

LBMA staff

The LBMA is delighted to announce that Marta Rola has joined the LBMA as its new Financial Controller. She brings extensive experience to the role. In addition, Jade Maisey has joined as the new Office Administrator. The LBMA would like to extend a warm welcome to them both. These new joiners arrive following the sad news of two resignations, Juliet Pithers and Chloe Wright. The LBMA would like to thank them for their contribution to the work of the Association and wish them both well in the future.

Annual General Meeting

The LBMA's Annual General Meeting will take place at Glaziers Hall, 9 Montague Close, London Bridge, London SE1 9DD, on Thursday 6 July at 16:00. The AGM presents an ideal opportunity for any interested member of staff in Member and Associate companies to hear about what the LBMA has been doing over the last 12 months as well as meet representatives of the other member companies. This year, it will be the turn of the Market Maker member representatives to be elected. In line with the usual procedures, the documentation, including nomination forms for the Board election, will be circulated to the official LBMA contact in each Member firm in advance of the meeting. The AGM will be followed by refreshments in the River Room, Glaziers Hall.

LPMCL News

The LBMA is delighted to announce that its closer working relationship with the London Precious Metals Clearing Limited (LPMCL) has recently been 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 behalf of the LPMCL. The Executive has been working closely with the LPMCL on upgrading and rebranding its website. 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. It is expected that the first set of numbers will be accompanied by a detailed commentary, with the data published monthly thereafter.

Regulation Update

By Sakhila Mirza, LBMA General Counsel

Responsible Gold Guidance

It has been four years since the LBMA launched its Responsible Gold Guidance (RGG). The RGG extends the OECD Gold Supplement for Refiners and builds on existing Anti-Money Laundering and Know Your Customer management systems and auditing practices. It also makes the voluntary OECD Guidance system mandatory for all LBMA Good Delivery gold refiners wishing to be accredited for the London bullion market.

Both refiners and auditors have been working diligently with the LBMA to ensure that the implementation of the RGG guidelines continues to be successful. Refiners have made excellent progress to further improve their internal processes and procedures, and to be proactive in complying with the updated RGG provisions. Failure to comply with the RGG has led to refiners being transferred to the Former List.

In February 2017, the LBMA attended the OECD Regional Workshop on Best Practices for the Sustainable Development of Artisanal Mining. Discussions on stakeholder engagement and governmental responsibility are critical for meaningful, measurable progress, and this forum enabled the LBMA to represent downstream companies' increasing expectations and demands for responsible and sustainable sourcing practices.

Responsible Silver Guidance

In May 2016, with strong support from industry stakeholders across the supply chain, the LBMA launched the initial consultation period for its Responsible Silver Guidance (RSG). Earlier this year it launched a consultation on the draft Guidance in order to ensure an implementable, beneficial set of standards that will assist refiners in demonstrating their compliance with industry best practices in responsible sourcing.

The LBMA would like to thank everyone who has submitted feedback so far. Public consultation for the proposed RSG will begin on 1 July 2017, with the final Guidance to be published in Q4 2017. Refiners will be able to submit audit documentation on a voluntary basis from 1 January 2018.

OECD Alignment Assessment

The EU Conflict Minerals legislation, due to take effect from 1 January 2021, will require EU companies to take demonstrable steps to ensure importation of "3 TGs" (tungsten, tantalum, tin and gold) from responsible sources only. The LBMA believes that industry schemes, such as the RGG, could help companies in demonstrating compliance with the requirements under the Regulation. In order to help determine which industry schemes meet the standards of the EU legislation, the OECD has undertaken a pilot Alignment Assessment of a few select industry programmes. The LBMA voluntarily took part in the pilot, which focused on: i) the alignment of industry programmes' standards and systems with the OECD Due Diligence Guidance; and ii) alignment of the industry programmes' implementation efforts with the OECD Guidance. The OECD will be sharing feedback on the Methodology Tool used during the assessment at its Responsible Minerals Forum in May 2017 and the results from the pilot in summer 2017. The LBMA continues to stay focused on further developing its programme and is working on issuing the next draft of the RGG later in 2017.

Net Stable Funding Ratio (NSFR)

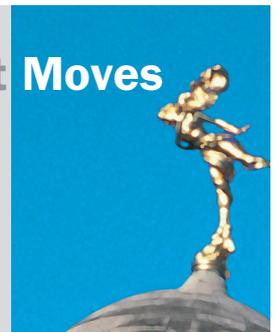
The LBMA and law firm Norton Rose Fulbright have recently completed a position paper summarising the potential adverse market impact of the NSFR, as well as suggested amendments that would help the precious metals market. The next steps will be to

present the paper to the European legislators and then meet with key stakeholders to explain the likely effect that the NSFR provisions would have on the end user. The potential for a fall in liquidity and higher costs continues to be a critical concern for the precious metals market.

Precious Metals Code

The LBMA will be launching the global Precious Metals Code on 25 May 2017. The new Code will apply to all precious metals market participants and will provide guidance on industry best practices. The Code will be supported by an explanatory note to help organisations understand the compliance requirements, and firms will be expected to sign a 'statement of commitment' to confirm compliance.

Market Moves



Giles Maber joins Sharps Pixley

On 13 February 2017 Giles Maber joined Sharps Pixley Ltd in London as Business Manager. Giles brings with him an excellent understanding of the metals markets coupled with extensive experience in building new client relationships, especially in the wealth management sector.