

**Biennial Dinner
Goldsmiths' Hall, 20th November, 2008
Remarks by Jeremy Charles, Chairman, LBMA**

Ladies and Gentlemen, Honoured Guests, Members and Associates of the LBMA,

A very good evening to you all and a warm welcome to the LBMA's 11th Biennial Dinner.

It is a real pleasure to be back in the splendid surroundings of Goldsmiths' Hall and I would like to thank the Wardens for once again allowing us to use this remarkable room for our dinner.

We have held our last three dinners in this hall and we feel much very at home here. This is partly because of the work which is done here by the Goldsmiths Company particularly in support of the jewellery industry. In particular the hallmarking of precious metals reflects in many ways what we do with our own good delivery system.

The Goldsmiths' Company is of course also responsible for ensuring that the country's coinage is up to the very highest standards.

The Chief Executive and I attended the Trial of the Pyx last year. This ancient and very serious testing procedure is designed to ensure that the output of coins from the Royal Mint meets the high standards required. This trial, which dates back 13th century, does in many ways parallel our approach to proactive monitoring of the London Good Delivery List where both fineness and physical appearance must pass the strictest quality controls.

Turning to our Guests, I am delighted to be able to welcome Mr Tim Harford our guest speaker. Those of us who are familiar with his book – The Undercover Economist – and his weekly column in the Financial Times will know that we are in for an entertaining treat. We thought that this year you might like to have something on a slightly lighter note as a contrast to the serious problems that the financial services sector is now grappling with.

I am also delighted to welcome Anne Dennison the Chairman of the LPPM.

This year in particular it is very appropriate to welcome the LPPM in an official capacity as we have been working very closely with them. Firstly in the preparation of a comprehensive guide to the OTC precious metals markets which has included gold, silver, platinum and palladium and secondly of course we have just had our conference in Kyoto which was jointly sponsored by the LBMA and LPPM. We have thus demonstrated an ability to work very closely together and I am sure that this will continue in the future. Who knows, someday the two associations may eventually meld into a single representative body, something I believe that many in the market would welcome.

We also have with us this evening representatives of a number of central banks, the FSA, the Treasury, and the National Association of Goldsmiths.

As many of you are aware, we are just about to celebrate the 21st anniversary of the formation of the LBMA, the Memorandum of which was signed on 24th November 1987. I am delighted that three of the signatories of that Memorandum are with us tonight: Les Edgar, Neil Newitt and John Wolff. It is, as always, great to see **all** of our former chairmen with us this evening.

To you all and to our other guests, I extend a warm welcome on behalf of the LBMA.

Formally, my task this evening is to propose the toast to the Guests and I will be standing up again later on to do that. But for now, I would like to give you a few comments about the state of the Market and your Association.

Turning to the markets first, you do not need me to tell you what an extraordinary year this has been for precious metals.

For gold, the combination of safe haven investment, producer buy backs and a falling dollar combined to produce a price peak in January which was unimaginable just a couple of years ago. When the price fell back sharply in August, we were reminded that it is not only the western investor and the hedge funds which can play an important role in this market. The level of physical demand that we then saw from Asia, the Middle East and even the U.S. was the most extraordinary I have seen in my career.

More recently we have seen something even more extraordinary in silver. Enormous quantities of physical bars have left London's vaults for India where they have been chopped up into very rough two kilogram slices and sold to the thousands of investors who have lost their confidence, for the time being, in the global financial system. Who said there was nothing better than sliced bread.

In spite of the problems besetting the financial industry in recent months, the London market has continued to function and serve the needs of its many customers throughout the world.

Both the London market generally and the LBMA in particular are proud of our trading model with its twin pillars of the Good Delivery system and the loco-London Clearing Service. There is certainly no shortage of companies wishing to apply to join the Good Delivery List. Many of these are from China and in spite of China turning from being a net exporter to a net importer of Silver, the number of new applications and enquiries has not so far shown any sign of slowing.

As always, the most important aspect of any market is the liquidity which its members and users can both generate and access. This is the key to our future.

Together we need to ensure that the loco London market is the place where our customers want to transact their precious metals business. This applies not only to the vibrant spot market of course which tends to be the most visible as far as liquidity is concerned. This also applies to the forward and options markets which to my mind have performed equally well during the recent period of turbulent trading. With regards to the forward market a number of exchanges have recently approached members seeking comment on the viability of providing an OTC cleared forward contract. This is being considered by the LBMA and perhaps it would be appropriate to make clear tonight that the LBMA is more likely to work with those institutions whose products and services complement the Loco London contract as opposed to those whose main aim is to compete with London's OTC contract.

Now turning to the LBMA itself, it has been most gratifying to see the growth of almost 20% in the Membership since the last time I spoke at the Biennial Dinner. Total Membership including both Members and Associates currently amounts to 124. Although the collapse of one famous name in the banking industry and the merger of others will result in us losing a few Members next year, I believe that this will continue to be more than compensated by the growth in the overall Membership. A number of companies are still keen to join our very vibrant and successful Association.

Let me now summarise some of the achievements of the LBMA this year.

I have already mentioned the new version of the OTC guide, published jointly with the LPPM and covering all precious metals. This is a very attractive and useful publication and I hope that you will all help to distribute copies to our market's customers.

The extremely successful conference in Kyoto attracted a record number of delegates. On that topic for those of you who are not aware the Association has decided that next year, our conference will be held in Lima in early November.

An important project currently underway is the production of gold and silver reference materials for the refining industry and other laboratories that will help to improve standards of assaying throughout the industry.

The physical quality of gold and silver bars held in our vaults is of paramount importance to the industry worldwide and a considerable amount of progress has been made this year led by the LBMA. Most of this work has been done in order to clarify the issue of when a bar is or is not acceptable and we have carried out an extensive survey of the defects which may be found in large bars and which could prevent them from being accepted. We published a first edition of the resulting Visual Guide to Good Delivery Bars at the conference in Kyoto and have circulated it to Good Delivery refiners and central banks. Based on feedback from them, a further and more comprehensive edition of the Guide will be produced in due course. This subject will also be discussed with refiners at the LBMA's Assaying and Refining Seminar which is to be held at the end of March next year.

And of course we should not forget the excellent work that has been done by the Association with regards to REACH. I am sure that by now all the companies within the Membership are quite familiar with this term and what it ultimately represents as far as compliance with EU regulation is concerned.

This has proved to be a very time consuming process for the executive but with the deadline for pre registration approaching fast - 10 days to be precise - if anyone is still unsure of how REACH may impact their own businesses then you will need to get your skates on very quickly.

All of this work is carried out by our very small Executive who in turn are supported by the active involvement and efforts of many of you who serve on the various LBMA Committees. Can I say a big thank you to the Executive staff who support you and to the Committee members for their contribution to the work of the LBMA all of whom have generously given us their time and experience.

And now I wish you all bon appétit and a very enjoyable evening.

Thank you very much.

20th November 2008