

LBMA – 25th Annual General Meeting

19th June, 2013

Chairman's Report by David Gornall, Natixis

Ladies and Gentlemen,

I now have the pleasure of presenting the Chairman's report for the past year – our silver anniversary year. This is going to be a short speech although perhaps not as short as the one which Winston Churchill gave at the inauguration day of his old school – Harrow - in 1941. According to some reports, which may not be completely accurate, he only used three words: “Never give up!” an injunction which he then supposedly repeated twice - before sitting down. The fact that, despite being vanishingly short, this became one of the most widely reported speeches in the history of English-speaking nations, tells us something. It tells us that brevity is not only the soul of wit but also the key to being remembered.

When politicians give speeches about their plans or policies, they often use a little trick known by speaking in threes. 2 items would seem unambitious while 4 would apparently exceed the attention span of most audiences. Many of you will remember how Tony Blair used this rule of three very cleverly by stating that his priorities were education, education and education.

So it is tempting to conclude now by simply saying that the LBMA's priorities are regulation, regulation and regulation or, to use another three-some to note that our focus is on regulation: in London, in Brussels and in Washington.

I hope you will not be too disappointed if I do not sit down at this point but instead expound a little on this theme, and to give you my perspectives of why this topic is so important. I do this from the perspective both of being the LBMA chairman and of running a precious metals business based in Europe but with an international clientele. As your chairman, the interactions which I have had over the past year with the LBMA Executive, with other members of the market, my colleagues on the Management Committee and representatives of the regulatory authorities – another group of three - have given me a very privileged insight into our market's workings and future needs. From the perspective of my own company, like everyone in this room, I have had to adjust and adapt to a rapidly changing regulatory environment.

The EU REACH legislation, the registration and authorisation of chemicals, was perhaps the first example of international legislation which our market has had to respond to. You will be very pleased to note that I am not going to talk about REACH except to say that it showed us the value of cooperation with other organisations, in this case the Brussels-based Precious Metals Consortium which has done a fantastic job in helping the refining industry and the bullion market to cope with this unwelcome legislation. REACH introduced the idea of competent authorities, the national bodies responsible in each member state for providing advice to those who needed it.

I have suggested in the past that the LBMA is the competent authority for gold and silver bullion. This is not to say that we alone can solve all the problems that this changing regulatory environment has introduced. In fact, we have explicitly decided that we should cooperate with other groups such as the Futures and Options Association and the World Gold Council. I am sure that you will hear in a little more detail about this from Martin Ford in a few minutes but I'm not about to pre-empt his address to you. Instead let me say a few words about being the competent authority for bullion. Our status in this regard is very widely accepted in the worldwide refining industry and the organisations that represent it, thanks to the Good Delivery List - which we rightly regard as our crown jewels. Over the last three years, the huge amount of work performed by the LBMA and in particular by Ruth

Crowell in the field of Responsible Gold has further increased the importance of the LBMA list in the world market.

The gold market's worldwide response to the clause in the Dodd Frank Act on conflict minerals has been immense and the leading player in coordinating this response has in reality been the LBMA. But the time has now come to pre-empt rather than respond to the next piece of legislation on this topic. I am referring to the fact that the European Commission is carrying out a consultation prior to drafting EU regulation on conflict minerals. The final date for making submissions to the consultation is 26th June. Together with the European precious metals industry, we need to play a part in convincing the Commission that the EU legislation does not create an additional EU institution or standard. Existing, recognised international standards should be supported such as the OECD Guidance and the LBMA's mandatory Responsible Gold Guidance for Good Delivery refiners, which are all that is needed to ensure that gold supplied to the EU remains free of conflict gold. The Executive has just circulated a memorandum to all members describing what will be in its response. Time is now short but I hope that many of you will respond to the European Commission along similar lines.

But not everyone in officialdom recognises the LBMA as the competent authority. This was highlighted during recent discussions in Brussels about the future of the Terminal Markets Order. In passing, can I say how grateful we should all be for the work of our VAT Group under David Blaney of UBS for looking after our interests in this area. However my point here is that in some European circles, the LBMA is regarded as some kind of private members club. This is a very unfair description of us, particularly when you consider how international our membership has become over the past decade. In addition, our role of ensuring that all members and associates are companies of the highest probity is one which HMRC expects us to carry out with real thoroughness. We will also hear shortly about how our Membership Committee has responded to the perceived need for due diligence - on Members, on Associates and on Good Delivery refiners - to be exercised at an even higher level than in the past.

So how can we ensure that our competent authority status is more widely recognised outside our own circle? It seems to me that the answer requires us to step up a gear. There may be a lesson in looking at what the LME, the FOA or the WGC have been doing. We have already done the groundwork where the Executive have made contact with a very long list of individuals within international governments, regulatory bodies, civil society via their NGO's and related market associations. In the coming year, we must use this list to make sure that all relevant stakeholders are clear that we are the competent authority for bullion. Our strong financial position puts us in a good place to do this and our recent decision to take on an additional member of staff to take care of regulatory affairs and compliance matters will certainly help us with this task.

Over the past year we have achieved a huge amount and the reason is in large part because of the work of our five main committees and their associated working groups. We are about to hear from the chairmen of these committees so again I won't pre-empt them. What I will do is to thank all those who serve on these committees for being willing to give up their time and give us the benefit of their experience. It is their commitment to the LBMA that allows us to succeed. I would like to express my particular thanks to the members of the Management Committee who each month attend a rather long meeting starting at 7:30 AM and in addition almost all of them serve as the Committee's representatives on the various sub-committees. The LBMA is also privileged in having observers from both the Bank of England and the FCA on the Management Committee. Their presence is of inestimable benefit to us.

Finally, I would like to thank the Executive team for the professionalism with which they undertake the many different tasks that allow all the foregoing to be accomplished.

19th June, 2013