Good morning. I’m going to look at some recent changes to the Good Delivery Rules and then provide you with some details of recent proactive monitoring activities.

As the LBMA’s Good Delivery Officer I manage the submissions received from applicants for Good Delivery accreditation, and the ongoing proactive monitoring of listed refiners. In light of the recently introduced requirement for all gold Good Delivery refiners to adopt a “Conflict-free” policy, I am now also involved with the implementation of the LBMA’s Responsible Gold Guidance. I also participate on the Physical Committee, the Referees Committee and at the Vault Managers’ meeting. These meetings provide a knowledge sharing platform and enable the LBMA to stay abreast of all current developments and initiatives within the market. The LBMA also hosts the Good Delivery Website, a secure database of all Current and Former List bars, an invaluable reference point to the vaults. We provide alerts to all Good Delivery website users when a new refiner is introduced to the list and also when a refiner makes a small alteration to its current bar, for example to the marks, the size or the surface treatment for example.

The current version of the Good Delivery Rules can be found in the Good Delivery section of the LBMA’s website. It contains the requirements for Good Delivery List applicants, as well as the current bar specifications for gold and silver Good Delivery bars. The Rules also include the details for proactive monitoring. The Annexes comprise a list of approved weighers, facilitators, supervisors, LBMA Referees and additionally some supporting documents to assist applicants and existing refiners in ensuring that they are compliant with the requirements for Good Delivery accreditation.

There have been a number of amendments to the Rules in the past two years. These are listed in the Rule Changes document, also found in the Good Delivery section of the website.
Slide 5 – Changes for GDL Applicants
Some of the most significant changes to applicants and to existing GDL refiners are as follows:

For GDL Applicants:

- Minimum annual refining production requirement for silver: Increased from 30 to 50 tonnes in May 2012.
- Minimum Tangible Net Worth: Increased from £10million to £15million in January 2012.
- Responsible Gold: Since January, 2012 all gold applicants are required to comply with the LBMA’s Responsible Gold Guidance prior to accreditation. Applicants can submit an application which in theory can progress to the end of the technical assessment, but at that point the applicant will be required to submit an audit summary report to the LBMA to confirm it has passed, prior to Good Delivery status being granted. This subject will be discussed in greater detail during tomorrow’s session on Due Dilligence.

Slide 6 – GDL Refiners
For Existing GDL Refiners:

Responsible Gold Guidance: With effect from January, 2012 all gold GDL refiners must comply with the LBMA’s Guidance document, details of which can be found on our website.

Annex I: Proactive Monitoring was extensively rewritten in June 2011 to clarify best practice in respect of assaying procedures for silver; the increased cost of reference samples and general updating of the proactive monitoring test. The requirement for refiners to submit their production data and audited financial statements annually was also introduced.

Bar Markings:

- Dot Matrix markings are acceptable in principle, however when a refiner decides to change its marking method in any way, it must first inform the LBMA.
- From January 2013, refiners must be consistent in the font used to mark assay numbers.

Casting Methods: The additional option to use a continuous casting method for silver Good Delivery bars was introduced in 2012. Full approval from the LBMA is required before a Good Delivery refiner can begin using this method.

As you will hear during Session 3 today, the flameless tunnel casting method for the production of Good Delivery bars has been approved in principle by the Physical Committee.

The Approved Weighers List was extensively revised by the Physical Committee and now includes only those companies which are actively weighing gold or silver for third parties.
When a refiner decides to make a change to its current Good Delivery bar, it must prepare a technical line drawing showing the proposed changes and submit it to the LBMA. We will then review the proposal, if necessary consulting with the Physical Committee, to decide whether to accept the proposed changes. Once accepted, the refiner is asked from what date it wishes to introduce the change. On that date, the LBMA updates the Good Delivery List and informs the vaults of the proposed amendment to the refiner’s bar. The refiner needs to ensure that its new bar meets all current GDL Rules, for example so that it meets the current specifications for bar dimensions or markings.

**Slide 7 – Proactive Monitoring title**

**Proactive Monitoring**

All Good Delivery refiners have been required to undergo Proactive Monitoring (“PAM”) since 2004. The main objectives of PAM are to ensure that refiners on the Good Delivery List continue to maintain the high standards of technical competence in refining and assaying that they demonstrated at the time of their original testing. Since 2004, a total of 24 batches of refineries have participated in this process.

Generally a Good Delivery refiner which is listed on both the gold and silver Lists will undertake gold and silver PAM at the same time. An exception to this might be where the first listing dates did not coincide.

PAM covers not only a refiner’s ability to assay but also among other things provides the LBMA with an opportunity to check on the refiner’s level of production over the immediately preceding three years and the refiner’s Tangible Net Worth (“TNW”). Refiners are now asked to submit their financial and production data on an annual basis.

Three years after the date of original listing, refiners will receive a letter from the LBMA notifying them to commence the monitoring process.

**Slide 8 – PAM Assaying Test**

Gold and Silver refiners are required to undergo a supervised dip sampling process taken from a normal melt. Two of the samples are shipped to the LBMA for check assaying by the LBMA’s referees and the remainder stay on site. The refiner submits its own analysis of one of the samples which is then compared with the referee’s results to determine a pass or fail. Borderline failures require a retest by a second referee. All gold refiners must be capable of assaying gold within the range of 995-9999. Those which normally produce only 9999 gold are therefore required to purchase a set of six gold reference samples from the LBMA. These samples cover the full range from 995 and above. The refiner submits its assay results to the LBMA for comparison with the mean assay values previously provided by the Referees. Details of this process are explained in Annex I of the Good Delivery Rules.
It has recently been agreed by the Physical Committee that all refiners who successfully complete Proactive Monitoring will be announced on the LBMA’s website.

**Slide 9 – Gold Results**

**Gold**

Looking first then at gold. Since the last Assaying & Refining Seminar in March 2011, technical testing has been completed on five additional batches, with 32 gold refiners receiving notice to participate. Of these gold refiners, 20 purchased reference samples from the LBMA as 9999s producers. The remaining 12 refiners produced dip samples from their normal casting process, witnessed by LBMA supervisors. One 9999s participant required a retest as it had failed. There was a pronounced bias to its results. Only three of the six samples achieved a pass. The failures were at the lower level of gold content. Given that the refiner is a 9999s refiner, the failure to accurately assay at the lower levels of gold content would not have impacted on the company’s products in this interim period. However should the refiner fail with the second set of six samples, it will be required to undertake a full assaying test on 24 gold samples. This process is ongoing.

The Executive now informs refiners when a noticeable bias is shown in the comparison of the results.

The remaining participants passed their gold proactive monitoring during these batches.

**Slide 10 – Silver Results**

**Silver**

Turning to silver, 33 refiners received Notification of Silver PAM during the past two years. Of these, one refiner achieved a borderline failure in that the divergence of their result compared with that of the referee was slightly outside the acceptable range and required a retest by a second referee. The refiner achieved a clear pass following the comparison of the results.

On the subject of silver testing, I’d like to recall a matter mentioned at the last Seminar, where a refiner had used potentiometric titration for its initial assay (which only measures the silver content, in contrast to spectrographic analysis where oxygen counts as silver). This underlined the need for refiners to assay by difference in addition to using a direct method of assaying. When check assaying silver dip samples from PAM exercises, the Referees will always use a spectrographic method of analysis.
Slide 11 – Feedback to Refiners
Upon completion of the assaying exercise the LBMA Executive provides the refiners with a comparison table of the mean assay values recorded by the referees compared with the refiner’s own results. The table includes the divergences, and for the 9999s gold test, it also shows which samples achieved a pass. This data is also shared with the referee on an anonymous basis.

Slide 12
I would like to thank all those refiners who have been monitored for their co-operation in supplying all the required information and undertaking the assaying tests. Also a special thanks goes to the five LBMA Referees who have done a tremendous amount of work for the LBMA once again during the past two years.

End.