

Looking Back, Looking Forward

Editorial Comment by Stewart Murray, Chief Executive, LBMA

*I backward cast my e'e.
On prospects drear!
An'forward, tho' I canna see,
I guess an' fear!*

Robert Burns – To a Mouse, On Turning Her Up In Her Nest With The Plough

It is my hope in writing this editorial that I will convince the reader that the Bullion Market can be a lot more positive about its past and future than was Robert Burns in 1785. When writing minutes or preparing papers for the many committees, working parties and miscellaneous groups within the LBMA, I normally try to persuade my colleagues to abjure the use of the first person, whether singular or plural. But as this editorial is written from a personal perspective, the occasional “I” will inevitably creep in. The reason for this is that I am going to look back to 1999 – the year I joined the LBMA – as well as looking forward to the challenges that my successor, Ruth Crowell, might be facing during the next decade. But first I would like to take this opportunity of putting my thanks and congratulations to Ruth on the record. Over the past seven years, she has achieved so much for the LBMA, not just in the areas of regulation and responsible gold guidance, where her renown in the wider market is richly deserved. But in addition, she has effected huge improvements in the public-facing aspects of the LBMA through the website, the Alchemist and above all the conference. I would not have wanted to do my job without the unstinting support that she has given me in the second half of my career with the LBMA.

I could go on ... but as stated above, this editorial is intended to provide a Janus-type perspective – looking back and looking forward at the LBMA's role and activities.

The significance of 1999 for the LBMA was not the appointment of a new Chief Executive in September that year (though it certainly was significant for me). Rather, it was the two key decisions, the first – made at an extraordinary general meeting in February of that year – to adopt a new constitution that would allow “international associates” to become part of the membership. The second, taken a few months later, was to organise a precious metals conference to be held, not in Europe, where the very successful FT Gold Conference had traditionally been held during the previous 20-odd years, but in Dubai, somewhat ironically the place where I had spent a lot of my time while employed at GFMS prior to joining the LBMA. When considering the way the conference has grown in recent years and the fantastic professionalism that our team has developed,

I can never totally suppress a wry smile when I think of the way that first conference was put together “on a shoestring”. But it was a success – then as now thanks to the efforts of the Public Affairs Committee – though in Dubai, they also had to staff the registration desk and do the photocopying! Above all, however, we had to thank the inimitable Maggie Nash – then just retired from the events team at JP Morgan and whom many readers will undoubtedly remember – for the success of our first conference and indeed the following three LBMA events.

It seems fair to claim that the conference helped to put the LBMA onto the world precious metals map, but this process was undoubtedly helped and accelerated by the new Associate category in the membership list from 2000 onwards. In that year, 16 Associates from 10 different countries became part of the LBMA and the number grew steadily, if less dramatically until, in 2010, the number of Associates exceeded the number of Ordinary Members. A further widening of the international dimension of the membership began in 2002, when the Management Committee agreed that banks whose bullion trading operations were outside the UK could join as Full Members. Nowadays, the admission of a member with a non-UK location is commonplace, but back then it only happened after extensive discussions with the UK VAT authorities (now known as HMRC) and the Financial Services Authority.

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But turning now to what is commonly known as the “crown jewels” of the LBMA, namely the Good Delivery system, this too has seen major developments during the past 12 years, though of a quite different type. The fundamental purpose of the GD List has not changed: it is a list of the refiners and their bars that are accepted as Good Delivery in the London vaults, as indeed it has been since the Bank of England issued the first extremely short list in 1750. From the point of view of the Executive staff, the period from 2001 to 2003 saw a revolution

in the way the system was administered. Before 2001, Good Delivery applications were processed by a combination of the “vaults” (in essence, the banks that provided the London market's clearing service) and the two referees, Engelhard CLAL and Johnson Matthey, which had for many years provided the technical support for the Good Delivery system. In December 2003, a new international panel of five referees was established and from then on, the Executive rather than the vaults and referees played the central role in the processing of applications. With the support of the Physical Committee and the new referees panel, the next decade saw the LBMA expanding the technical aspects of the Good Delivery work – the introduction of Proactive Monitoring, the biennial Assaying and Refining Seminar, the production of gold and silver reference materials, and most recently a proficiency testing scheme for gold assayers. Another important strand to this work has been the quantification of the physical acceptability of Good Delivery bars – a topic that will certainly continue into the future. Accurate weighing of these bars is of course fundamental, and after many years and attempts, the LBMA finally approved the use of an electronic scale as an alternative to the beam balance for weighing Good Delivery gold bars. I am sure that this kind of work will continue in the future – for the benefit of all participants in the bullion market.

But externally, and just as importantly, there has been an increase in the use of the List by other markets and exchanges. The LBMA is now willing to license the use of the List in this way as long as the licensee can demonstrate its standing in the market.

There are so many other interesting topics that I could describe if space were not limited: the LBMA's initiative in early 2009 to encourage the establishment of cleared gold forwards; the recent introduction of the daily gold and silver forward curves based on the contributions of the eight forward Market Makers; the securing of the future use of the troy ounce (when this was under threat in 2007) and ameliorating the impact of the EU's REACH legislation on the gold market.

The “R” in REACH stands of course for Regulation, which brings us firmly into the present era and dare I say also the future. To the surprise of many people outside the market, spot and forward trading in gold and silver is not a regulated activity in the UK, although the participants in the market are regulated. The wholesale markets in London (foreign exchange, money markets and bullion) have for many years relied on the NIPs (Non-Investment Products) Code as a form of self-regulation. All Members and Associates of the LBMA have to sign up to the letter and spirit of this Code. But

Vacancies

following the multiple crises of recent years, or more accurately the response of the authorities on both sides of the Atlantic, Regulation has become perhaps the most important topic on the LBMA's agenda. This was most clearly demonstrated by the need for us to respond to Section 1502 of the Dodd Frank Act in relation to conflict minerals by developing the Responsible Gold Guidance, with which all Good Delivery gold refiners must comply. Implementing IOSCO's principles for the production and maintenance of benchmarks is the topic of the moment. Regulation is undoubtedly going to be high on the LBMA's To do List in the years to come.

The LBMA has always enjoyed an exceptionally close relationship with the Bank of England and the FSA (now FCA), and the same applies to a number of other market organisations and in particular our sister organisation, the LPPM. I can hardly avoid referring to the eternal question that has been asked since the two associations were founded 25 years ago: "Will the LBMA and the LPPM ever merge?" I am not going to try to answer that one except to say that the mutually beneficial co-operation between us is demonstrated in many ways – the joint approach to our annual conference (and recently the cocktail party in New York), the publication of the OTC Guide and the GD system – and will no doubt continue in the future.

Over the past 14 years, it has been a huge privilege to work with so many outstanding individuals who have made the LBMA what it is today. I want to thank them all. I am delighted that the LBMA is about to start a project with the working title "Voices of the London Bullion Market", which will attempt to capture the contributions to the development of the market in the past quarter century.

So what will come out of left field? By definition, the answer is obscure, but I am very confident that it is the people in the market with their broad as well as deep knowledge of all its aspects who will ensure that the LBMA and the loco London Market can rise to the challenge.



Stewart Murray will retire as Chief Executive on 31 December 2013 and will then continue in a consultancy capacity with special responsibility for Good Delivery issues.

A vacancy has arisen at the LBMA for the role of Operations Director, with responsibilities for general administration of the Association. The specific duties include Finance, Human Resources, IT systems and Office Management.

The LBMA is also looking to recruit a senior member of staff to take responsibility for various aspects of the Association's work in relation to regulation and compliance.

Anyone interested in applying for either of these vacancies is invited to contact the LBMA for further details, at mail@lbma.org.uk

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