

# EDITORIAL

BY ANDY QUINN, NON-EXECUTIVE DIRECTOR, LBMA



If 2018 was a momentous year for LBMA, then 2019

promises to be equally historic on several fronts, even discounting the effect of Brexit which, for good or bad, may have an enormous impact on financial firms operating in London.

Firstly, the Bank of England is celebrating the 325<sup>th</sup> anniversary of its foundation this year and, secondly, the global OTC gold market will celebrate the centenary of the first London Gold Price. LBMA will be marking this occasion with a number of events during the year which you can read more about on page 22.

When I joined the Board of LBMA in 2016 as one of the first two Non-Executive Directors, I was a director of Randgold Resources and a retired investment banker and mining engineer. I'd heard vaguely of LBMA, of course. Who in the broader

gold-mining industry hadn't? But I really knew little about the OTC gold market, or the role and unique position of LBMA within it. Why should I? I'd either dug the stuff up and delivered it to a refiner, or I'd advised gold-mining companies on transactions and, like them, never had to worry about the OTC market. The gold and silver mining industry is unique in that it doesn't have to think about marketing its product. It sells at the mine gate and someone else has to worry about the cost and logistics of marketing the product. What other segment of the mining industry can get away with not investing in the selling process, relying on someone else to do it?

Even the concept of the integrity of the operation of the gold market and responsible sourcing is lost on some miners. However, this is short-sighted. When something goes wrong at any point in the supply chain between mine and necklace or mobile phone, some wrong-doing, scandal or fraud,

the whole industry pays for it – either through increased regulatory oversight, higher costs, lower prices from lower demand, legal action or substitution. And the impact on communities that rely on mining gold responsibly can be catastrophic.

So if the reputation of the gold industry affects everyone in the industry, we need to address these issues together. This is why we launched our Responsible Sourcing Programme in 2012. LBMA Responsible Sourcing provides a credible, industry wide solution to the growing requirements of downstream customers. And these customers range from giant software and hardware consumer companies, to jewellery chains and banks, all of whom are responding to demands to guarantee the integrity and ethical sourcing of their supply chain. Version Eight (V8), which went into effect in January 2019, now extends that programme to Environmental, Social and Governance (ESG) issues.

This should not result in more work for most of the large scale miners as many of them are already going above and beyond these

requirements. For those responsible miners, it is merely providing them with a toolkit which formalises a process that most of them already undertake and report on, and if they don't then they should, as part of their ESG reporting. The artisanal

and small-scale miners toolkit is based on the Responsible Artisanal Gold Solutions Forum Group self-assessment form to ensure it is fit for purpose.

2019 is a year of implementation, so refiners are expected to ensure that the final systems are in place by the end of the year, prior to the first audits which will come in 2020. V8 supports the aims and objectives of LBMA to support our industry as a whole and enable it to demonstrate the integrity which is at the heart of what we do. LBMA cares passionately about everything related to our industry and performs an essential role that no single part of the supply chain can perform on its own. It does this through agreed adherence by the members to its *modus operandi* and rules.

**SO IF THE REPUTATION OF THE GOLD INDUSTRY AFFECTS EVERYONE IN THE INDUSTRY, WE NEED TO ADDRESS THESE ISSUES TOGETHER.**

**LBMA IS SIMULTANEOUSLY THE VOICE, THE LOBBYIST, THE REGULATOR, THE RULE-MAKER AND THE EDUCATOR.**

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Front cover - Oesterreichische Nationalbank (OeNB), the Central Bank of Austria.

LBMA is simultaneously the voice, the lobbyist, the regulator, the rule-maker and the educator. And it does what it does on a shoestring budget. I have watched it become a much more outward-facing organisation. It achieves so much, so professionally, on behalf of its members, but also for the whole industry, without a good proportion of that industry, the upstream producers, even knowing about it.

So as a New Year's resolution, let's try and change that. We have encouraged central bank participation and exchange membership. Let's now encourage the mine producers to join LBMA and be part of the process of ensuring the integrity of our entire industry.

The very largest producers to the very smallest all benefit from the work of LBMA. This is not a call to replace any other producer organisation, each of which plays an important role, but to encourage the development of a membership that would truly allow LBMA to

rightly claim that it represents an entire industry and all its participants.

Andy Quinn