

# EDITORIAL

## IS IT ONE YEAR ALREADY?

BY IAN WARMAN, HEAD OF PRECIOUS METALS TRADE MANAGEMENT UNIT, STANDARD CHARTERED BANK, CHAIR OF LBMA PHYSICAL COMMITTEE



I am happy to report that I have recently celebrated an anniversary, as it is now just over a year since I took on the mantle of the Physical Committee Chair. I am surprised at how quickly the last year has gone and this milestone has prompted me to think about what we have achieved.

When looking back over my first year, it is important to also look back at the original purpose of the Physical Committee and how its purpose has evolved into its current role. The initial driver for the committee was to ensure quality standards and the standardisation of large bars. This has become the cornerstone of the market that all members rely upon, but the committee's role has evolved and we are now additionally required to consider other potential risks, including responsible sourcing assurance, proactive monitoring, tangible net worth, sanctions, money laundering and fraud. Additionally, driven by market demand, our focus has become more global in nature and is centred on the growth of kilo bars, rather than the original focus on large bars in London.

Over the last year, we have seen some well-publicised events that have impacted several LBMA accredited refineries. Although I am sure that I do not need to repeat the well-documented individual cases, these do highlight some of the areas that the Physical Committee reviews:

*Provable origin* - in addition to individual refinery proactive monitoring, we now receive a greater level of detail on both the country of origin and the respective

tonnage for refinery sourcing, which provides a more complete holistic view.

*Sanctions* – dealing with a restricted individual with a significant interest or sourcing from countries who are subject to sanctions, are both key areas of discussion.

*Tangible Net Worth* - £15 mn threshold introduced to protect against supply disruption and churn.

We are also happy with the progress on REACH reporting, as the scope has been widened to cover bullion investment products.

### WHAT CAN WE DO BETTER?

A frequently raised question, which we also ask ourselves, is could we have reacted quicker? There has to be a balance between alerting members of a potential issue and understanding the facts to determine if there is actually an issue.

We are aware of the need to be responsive in alerting the market to issues and to provide decisions on the accreditation status of refinery production as quickly as possible, and we will continue to work on how we can achieve this.

One area of work in progress is a complete overhaul of the Good Delivery Rules giving more transparency on how existing refiners are monitored. The current Rules focus primarily on applications. We will be adding more substantial explanatory material on how we monitor this on an on-going basis to ensure quality and consistency.

The important work on security features and the ability to track dore through to bars will greatly assist our work and provide mitigation against potential fraudulent bars and ownership, plus some of the above risks.

LBMA accreditation has a value in the market and is a kitemark that is relied upon by many participants, and it is pleasing to see a strong pipeline of new applications.

The valued support of the referees in this process is very much appreciated and is assured as impartial due to the nature of the blind testing process.

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Front cover - The late Jon Spall

Speaking for the committee members, who incidentally give their time and commitment over and above their day jobs, the reason that we do this is that we are all passionate about the market and care about maintaining the credibility of the bullion market. A quick survey of the committee members (non-LBMA employed) determined that, between us, we have a combined 228 years of experience in the precious metals markets. This wealth of experience, across multiple backgrounds, allows us to have a powerful level of insight into most features of the bullion market. It is also important to stress that this committee does not act on behalf of individual interests and will always have the wider benefit of the market in mind. The work done on Responsible Gold Sourcing and alignment to OECD principles has been particularly beneficial.

The reputation and credibility of the bullion physical market is critical for all of our businesses and will remain key to the workings of this committee.