

REGULATION UPDATE

BY RACHEL HART, LAWYER, LBMA



Rachel Hart, Lawyer, LBMA. Deals with legal and compliance matters affecting the precious metals market, including financial regulation and

the Responsible Sourcing Programme. She has taken responsibility on a number of initiatives and helps to manage any relevant legal work on behalf of LPMCL, as well as support the market on the application of REACH and the Global Precious Metals Code.

Before joining the LBMA, Rachel worked as a Finance Knowledge Assistant at Freshfields Bruckhaus Deringer, specialising in structured finance and debt capital markets. She read law at University of York and University of Law, London.

John Glen, a Conservative MP, and Economic Secretary to the Treasury and City Minister, led the response.

The precious metals' markets applicability to the Market Abuse Regulation, the UK and EU benchmarks regimes, and LBMA's Global Precious Metals Code were referenced throughout the response. Mr Glen

concluded that under this robust regulatory framework, the FCA had the necessary tools to detect and respond to attempts at market manipulation.

Mr Glen advised that HM Treasury would not consider it necessary to undertake any reform of the UK's regulatory regime in its application to precious metals markets or to commission a Government inquiry or review.

A transcript of the debate is available on Hansard.

Net Stable Funding Ratio

LBMA is reaching out to central banks for their support on NSFR lobbying.

By way of reminder, the Capital Requirements Regulation (CRR) II framework will require 85% of Required Stable Funding (RSF) to be applied to certain precious metals transactions from 2021.

LBMA and LPMCL have been working with Norton Rose Fulbright LLP to advocate a lower RSF factor. In July 2018, the European Parliament's Committee on Economic and Monetary Affairs (ECON) adopted an amendment lowering

the RSF to 50%. However, when put to the European Commission and member states in November 2018, this proposal was rejected. Instead, the 85% RSF will go ahead for the financing and the clearing and settlement of precious metals transactions.

The European Banking Authority (EBA) will be the authority responsible for any future reductions to the RSF, and it has two years to finalise its findings. Under the LBMA-i trade reporting initiative, LBMA has analysed the reported data to demonstrate the levels

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of liquidity and transparency within the precious metals market to assist with the EBA's assessment. The objective of any upcoming advocacy activities remains to secure a full exemption from the application of the RSF for precious metals clearing and settlement services and for financing transactions.

House of Commons Debate: Precious Metals Markets

On 8 July, the House of Commons held a debate on the risk of manipulation of the precious metals markets. The debate was led by Jeremy Lefroy, a Conservative MP for Stafford. Mr Lefroy raised the debate to discuss whether UK's regulatory approach to precious metals was robust enough to deal with market manipulation. Mr Lefroy referred to the spoofing cases in recent years in the US and questioned whether similar activity could occur in the UK. In conclusion, Mr Lefroy suggested that the Government commission an enquiry into the bullion market, particularly in the UK.

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