

EDITORIAL

BY SIMON POTTER, FORMER LBMA NON-EXECUTIVE DIRECTOR



Unfortunately, in July, I had to leave my role as a Non-Executive Director (NED) as I am entering full-time employment in the financial services sector. For good governance reasons, I believe this is the appropriate action for all parties. The following is a review of my time as a director and is written in the spirit of transparency with which LBMA conducts all its work.

My first LBMA board meeting was on 3 March 2020. In normal time, this was not long ago, but in COVID-19 time, it feels like a very long time ago. For example, 3 March was an in-person meeting where the protocol around greetings was still open to debate and there was still some confidence that the annual conference would take place. It was also the day when the G7 met, took no direct action and then, in a surprise move, the Fed cut rates by 50bps to 1%. At the almost-socially-distanced staff party at the end of the day, it was clear that the financial markets were encountering difficulties in absorbing the immense rebalancing required to manage the direct impact of COVID-19 and the uncertainty over the policy response.

In the following few weeks, all financial markets received a stress test. For the precious metals markets and other physical delivery markets, we learnt that the fine details on delivery and contract obligations could be critical, as described in the Editorial by Paul Fisher in the May edition of the *Alchemist*. For the gold market, LBMA was able to draw on its long history, strong network and expertise to ease some of these frictions. And I know it will take the lead in doing the work required to add further resilience in the market.

One of the main attractions for me about the NED role at LBMA was to continue my involvement in promoting best practices. As the preamble to the Global Precious Metals Code states: "The Code is intended to define a robust, fair, effective and transparent market where all participants are able to transact following best practice guidelines."

LBMA IS UNIQUE IN BRINGING TOGETHER STAKEHOLDERS AS DIVERSE AS MINERS REFINERS AND MARKET MAKERS IN THIS RESPECT

In the case of gold, fairness has a much deeper meaning than in, for example, the FX market, because of the critical need for responsible sourcing. All through the interview process and then in board meetings and other interactions, it was clear to me how important responsible sourcing is to LBMA. This is reflected in the launch of the first Responsible Sourcing Report next month, and I would encourage you all to read it and learn about all the good work that LBMA is doing in this regard.

Issues around good market functioning, best practices, good delivery and responsible sourcing are outputs that LBMA either directs or supports. It has a very strong reputation and track record on these outputs. This success needs to be underpinned by an agile, focused and flexible organisation. COVID-19 has affected organisations like LBMA in many ways.

First, all work needs to be conducted virtually, with the ability to react quickly to breaking news while respecting the tensions to normal life that the disruption of a pandemic can bring. I have been very impressed with how the Executive and team have dealt with this change in work and life balance. These changes are never seamless, but active listening and deep care for colleagues' well-being have smoothed some of the inevitable bumps.

Second, revenue can fall in unexpected ways, while costs don't go away. For LBMA, the initial hope that the annual conference might still go ahead in October quickly turned into a proactive decision to cancel and limit the impact on the bottom line.



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Front cover – Graphic extracted from the upcoming first LBMA Annual Responsible Sourcing Report. Modified from original, kindly provided by Brink's Ltd.

Since then, there has been a keen focus on how to control costs while maintaining strategic initiatives and ensuring that LBMA's convening power for the industry adapts.

Third, strategic initiatives need to be maintained and adapted to the new environment induced by COVID-19.

In working with CEO Ruth Crowell over the last six months, it has been clear how focused she is on strategies to further LBMA's impact on good market practices and functioning, with the goal of improving the precious metals market for all its stakeholders. LBMA is unique in bringing together stakeholders as diverse as miners, refiners and market makers in this respect.

The ultimate goal is to provide a market that allows people all over the world to hedge against unknown events and an uncertain world, using the most enduring, best-known and liquid alternative asset class of precious metals. The pandemic has again proved how valuable this asset class can be.