

Chairman's Remarks

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Good Morning Ladies and Gentlemen and welcome to Rome. The organisation of this conference agenda has once again been prepared and planned by the London Bullion Market Association and the London Platinum and Palladium Market. I'm not sure how many more times that I will say this again but this year's conference has set yet another record attendance of more than 800 participants. Thank you all for registering and attending our event.

As you have probably realised, if you are a regular attendee, that we try to alternate between a long distance conference and one at home in Europe each year, I hope that UK Eurosceptics will excuse the use of the words Europe and Home being used within the same sentence!

Italy has had a long relationship with gold. From the 11th to the 16th century, the dominance of the Venetian maritime fleet resulted in Venice being the crossroads for Europe's gold. Today, when we speak about Gold and Italy there is usually a reference to the gold holdings of the Banca d'Italia. In a country which is a byword for style and elegance, it is not surprising that the Italian jewellery industry still produces more than half of the European total. It is therefore most appropriate that we decided to hold the 14th LBMA conference in the historic city of Rome.

Also alongside me here today are Peter Smith Chairman of the London Platinum and Palladium Market and our Keynote speaker, Salvatore Rossi, Director General of Banca D'Italia. We also welcome our second keynote speaker, Francesco Papadia, Chairman of Primary Collateralised Securities and former Director General for Market Operations at The European Central Bank.

I would like to thank them all for supporting us in this session here today and over the next few days in Rome.

Thanks as well to our local hosts, Confindustria Federorafi, for their support of last night's Welcome Reception. Thanks as well to our record number of exhibitors, who have filled the coffee break area with information for delegates as well as special displays of gold artefacts from Degussa and Italtreasures. I offer particular thanks in advance to our Italian Associate Italtreasures for their sponsorship and assistance in the organisation of this evening's entertainment at the Villa Miani.

Not only have we seen a large increase in conference attendees, through the Public Affairs Committee of the LBMA and the LPPM, we have increased the content of this conference by

offering parallel sessions on the second day, including a Responsible Gold Forum, organised in partnership with the Responsible Jewellery Council. We are now able to provide 13 sessions dedicated to the world of Gold, Silver, Platinum and Palladium. A feature of our conferences has always been the high number of you who attend and listen to the presentations. So, on your behalf, I would like to offer a very big thank you to the members of the PAC and the LPPM, all of the session chairmen and speakers who have worked to develop a programme that will give you new insight and stimulus. The investment section has been broken down into short and long term in order to offer varied perspectives.

When we met last year in Hong Kong, I mentioned that the LBMA wanted to be regarded as the competent authority for bullion. We have never had a greater opportunity to demonstrate due to the recent changes and proposed changes in the economic and political environment.

This platform has seen the Association become directly involved in shaping legislation, not only in the US and Europe but also in developing economies that want to use the Good Delivery list, our Responsible Gold Guidance and the bullion market benchmarks.

I also mentioned in Hong Kong last year, that a primary goal that the LBMA had set itself, firstly to address the problem of conflict gold arising from the US Dodd Frank Act. Since we last met, the LBMA has achieved this goal of ensuring that our market can continue to function whilst operating in a responsible way. Our Responsible Gold Guidance has been developed and now implemented thanks to the tireless efforts of our Deputy Chief Executive, Ruth Crowell, and the combined experience of the LBMA Referees and the members of the Regulatory Affairs and Physical Committees. This is a great achievement not only in terms of the guidance that we have produced but in my opinion; the LBMA has successfully influenced both the OECD and the SEC, in the formulation of their rules on conflict gold. This has aided implementation as both OECD and SEC have recognised the challenges faced by the gold market and, where possible, are working with the LBMA to address them.

It is likely that other jurisdictions will follow the US to ensure that any gold traded is conflict free and indeed this process has begun in the EU. The EU Commission is currently drafting legislation which is expected to be released in early 2014. The LBMA participated in the EU consultation as well as recent industry meetings. And we are delighted to have Ms Signe Ratso Director from DG Trade of the European Commission speaking during the parallel sessions tomorrow, in order to update the market on the direction of the draft legislation as well as providing us with further feedback.

Our Good Delivery listed gold refiners are currently taking part in an audit process that will ensure that their gold is responsibly sourced. I'm delighted to announce that so far 20 refiners have successfully completed the process already, with more to follow in the coming months. A special

thanks to the LBMA Referees who have not only ensured that they were among the first to complete the LBMA audit process, but have also committed to sharing their expertise and systems to assist the remaining refiners meet the Responsible Gold requirements and deadlines.

You will know that there are many other regulatory issues that are now coming in to sharper focus. These include benchmark regulation, Basel III implementation, US Dodd-Frank treatment of gold & silver forwards as well as the EU's market regulations in the form of EMIR & MIFIR. These issues are now being more fully addressed by the Regulatory Affairs Committee, Market Makers and the Management Committee. To assist the LBMA more fully, the Management Committee has recently announced the development of a new role, a Regulatory Affairs & Compliance Officer.

This newly created role will enable us to expand our activities to include more local forums and webinars, such as the three regulatory forums held this year in London, Paris and now Rome.

In the coming year, the LBMA will continue developing its links not only with the industry but also with lawmakers, foreign trade associations and regulators. We are grateful for the communication and feedback on our work from regulators, particularly that of our own regulator the FCA. We are delighted to be joined by Don Groves of the FCA during tomorrow's financial market regulation session. Don is a long-time observer on the LBMA Management Committee and we thank him for his participation and continued dialogue on our regulatory questions facing the London Market.

I can't complete my remarks without a mention of our Chief Executive Stewart Murray.

For those of you who don't know, Stewart has decided it is time to head for the beach or the full time Scottish Country Dance circuit.

For 14 years, so that's every single conference, he has got away with the same joke when presenting the Gold price estimate of the conference, you know the one where instead of the Gold price a question mark appears on the screen and he says "we're not going to tell you that". Not just got away with it but gets a laugh every time. He has represented the LBMA at conferences all around the World. He has been a great ambassador for the London bullion market, explaining to many different audiences how the various elements involved (the clearing, the fixings, the vaults and especially the good delivery system) combine to allow market participants to trade safely and efficiently. He has more than his fair share of stamina when it comes to work and particularly travel. I met up with him in Shanghai in order to meet all of our Chinese refiners when tackling Dodd Frank. He had started the trip by visiting the Russian refiners for the same purpose before attending an event organised by the WGC in Manila. When he left me in China he went on to see our Japanese refiners, then stopping off in Brussels at the EPMF before turning up for work the next day. I asked him, Stewart, are you jetlagged or tired? No he said, why would you think that ?

It is not a secret that he is a metallurgist. On several occasions when he and I have made joint visits to a mint or refinery we have had to extend the tour as Stewart is the keenest visitor they have ever hosted asking questions about processes and systems to our guides, who would normally raise an eyebrow after a question. You know the one where the guide is thinking, oh no this guy really is interested in all this stuff - I wish I had taken the day off.

On last month's trip to Jaipur, someone at the Indian Gold Convention, following an award which Stewart was presented with for services to the industry, a sort of Indian CBE if you like, he was told that he had done a lot for the Indian market. In Stewart's typically modest and direct style he answered, "really? I didn't think that I had done that much for your market". Well the truth is that you would not have had any LBMA conferences without Stewart nor a Refining and Assaying Seminar, the Associate programme, Pro-Active monitoring of the LBMA Refiners. He is even handed and fair, when asked about price, he will always tell you that the LBMA is agnostic when it comes to price. For an Association such as this, this is of course the correct answer when you represent producers, fabricators and consumers. He and I have worked well together. He has encouraged me to share with him my knowledge about the markets whilst I have learned a great deal from him such as the difference between fire assaying and spectrographic analysis. I am delighted that we will not be losing the experience that Stewart has built up during his 40 years in various metal businesses. He will continue working with the LBMA as a consultant to the Good Delivery system when he steps down as Chief Executive later this year.

For now I wish you all a successful conference and that by the end of tomorrow you will have considered your time here in Rome to have been very well spent.

Ladies and Gentlemen, thank you for your kind attention.