

27th October 2014

Sunny Field
Operations Director
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Dear Sunny,

The London Daily Gold Price

An independent partnership solution for the replacement procedure of the current Gold Fix process

Partnership Members

Sapient Global Markets
Autilla
Global Rate Set Service

We are pleased to have the opportunity to participate in the initiative to transfer the existing Gold Fix to a new independent Administration function which will provide the London Daily Gold price for participants and users of the price data. We believe that we bring a best in class approach.

Our Joint value proposition is:

- Fully Independent - no links to data vending, Agnostic of exchange use of data
- Gold Specific - systems and staff with dedicated links to the Gold Market
- Implementation Ready - systems and governance ready by launch date
- Self-Funded model - no cost to LDGP participants; funded by data use rights in an enterprise model
- IOSCO compliant governance - Administrator, Calculation Agent, Codes of Conduct, Audit reviews
- Proven Track Record – Deep expertise in regulatory reform, precious metals markets, technology, market metrics and administration.

Benchmark administration:

Providing an oversight and regulatory change infrastructure that actively monitors the process and maintains dialog with the participants, calculation agent and regulators. Supporting participating banks to adhere to and comply with current and impending regulatory changes. Market communication and dialog functions through a Steering Committee that will Guide operational activities and introduce a charter and innovative practices.

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New procedure operation:

In building our solution for the London Daily Gold Price, our main objective was to build a bespoke front end which caters to the workflows of the current process, making changes only where necessary to achieve additional objectives of modernisation, transparency and regulatory cover.

To this end, our solution is one that has a look and feel which is easily recognisable and known to those already familiar with the current process. The main functions we have kept for the current process include:

- Only when all participants are present and logged in does each round begin.
- All participants can enter orders (BUY, SELL, or NO INTEREST) in bar amounts.
- A 'FLAG' withdraws the current participant orders and halts the current round.
- When all participants have entered their interest at the current price level; the system will attempt an automated match.
- A successful match is one within the current 50 bar tolerance (difference between buyers and sellers).
- The bar tolerance is split evenly among the participants.
- FX rates are determined by live mid rates of GBP and EUR unless there is a non-USD gold order in the process in which case FX rates are determined by an executed FX trade.

The new or modernised functions include:

- Each participant connects to the process via a GUI messaging portal.
- The portal organises and distinguishes between house and client orders input by the participant.
- An automated system algorithm determines the price to try in each round.
- An automated live pricing commentary is generated and distributed in real time for distribution to participants as well as the general public.
- The central server automatically handles the manual work current done by the chairman: order submission; order processing and matching; trade confirmation and straight through processing.
- Our technology includes recording of a detailed, time-stamped audit trail as well as report creation as necessary.

Data distribution:

- No cost to current participant banks
- Access via a data user licence structure
- Online subscription service facilitated by Global Rate Set Systems (GRSS)
- No cost to users for derived data or for internal system use if they have an existing licence
- The Pricing model applies to Data Vendors to carry data on their networks, Exchanges regarding Futures businesses, Corporate use (enterprise size pricing) Single access use and Websites regarding data use

Sapient Global Markets: Is a provider of integrated technology, program management, advisory, analytics and operations services exclusively to capital and commodity market participants. We

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deliver market infrastructure and transparency initiatives for Central Banks and Regulators and will be providing a dedicated administration and governance service with a singular focus on the London Daily Gold Price.

Autilla: is a company that has been established to provide a new technological price discovery and transaction platform to the OTC bullion market. It draws on over 100 years of combined expertise from within the bullion market. The company's technology and methodology replaces the manual modes of execution with an electronic process of the twice daily gold fixings as they currently occur. The new architecture strives to keep the existing spirit, tradition and prestige of the current procedure while adding new elements to create a process which is more efficient, transparent, well-documented and regulatory compliant. The system is expandable allowing the potential for more individual participants.

Global Rate Set System: The GRSS proposition allows The London Bullion Market Association to transition to a more robust and transparent model, collecting input data from the Autilla platform. This allows the Association to have full control over its benchmark in the market and ensure a very high level of quality control to meet regulatory requirements. GRSS enter into collaborative partnerships to allow them to meet their market development goals.

Sincerely,

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