

LBMA News

By Stewart Murray, Chief Executive, LBMA

MEMBERSHIP

Members

ABN-AMRO N.V. Following its name change from Fortis Nederland, ABN-AMRO was admitted as a Full Member on 1 July, 2010.

The unconnected Member with a similar name - ABN-AMRO (Australian Branch) – has resigned following its merger into the Royal Bank of Scotland.

Associates

ETF Securities Ltd was admitted as an Associate on 14 April, 2010.

As a result of the Associate review process, two companies (Fastmarkets and Alfred H. Knight) were unable to obtain renewed sponsorship from existing members and, as a result, their Associate status was revoked. This does not prevent them from reapplying if they are able to provide the necessary three sponsor letters.

GOOD DELIVERY LIST

The gold refinery of Atasay Kuyumculuk Sanayi Ve Ticaret A.S. of Turkey was added to the Gold List on 7 May, 2010. At a ceremony organised by the company and held in Goldsmiths' Hall, the Good Delivery certificate was presented to its Chief Executive by the LBMA Chairman. Atasay is the first Turkish refinery to achieve Good Delivery accreditation.

The gold refinery of L'azurde Company for Jewelry of Saudia Arabia was added to the Gold List on 1 June, 2010. L'azurde is the first refinery in the Middle East to be accredited.

The silver refinery of Yunnan Chihong Zinc & Germanium Company of China

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There have been two name changes affecting Good Delivery List refiners recently:

Nippon Mining and Metals has merged with other group companies to form JX Nippon Mining and Metals Company Ltd.

Following the dissolution of the AGR Matthey Joint Venture in Perth, Australia, the Newburn refinery is now wholly owned by the Western Australian Mint and trades under the name of the Perth Mint.

During the past quarter, a number of refiners have registered changes to their bar marks:

Tanaka Kikinzoku Kogyo KK (Silver)
The Perth Mint (Gold and Silver)
Argor Heraeus (Silver)
Royal Canadian Mint (Gold)

COMMITTEES

Management

The Committee met in May and July. As usual, the Committee's work largely consists of reviewing the reports from the Subcommittees and making decisions based on their recommendations. The Committee also reviewed the operation of market making in the London market in relation to the requirements that must be satisfied by Ordinary Members who are applying to be reclassified as Market Makers.

Data commercialisation was again an important topic on the Committee's agenda. Good progress has been made in the project to publish a forward

curve for gold on the basis of the daily contributions of the LBMA's eight forward Market Makers, which is to be compiled and distributed with the assistance of the London Metal Exchange.

Noting that some companies within the membership and the Good Delivery List have been very slow to pay their annual subscriptions, the Committee approved a recommendation from the Membership Committee that, in future, a 20% premium will be charged for companies that have not paid within three months of the date of the relevant invoice. The Executive will ensure that the invoices have been sent to the correct address and that two reminders have been sent to the company concerned before applying this surcharge. In addition, companies whose subscriptions are still due after six months will have their membership revoked.

Physical

Apart from monitoring the Executive's processing of a large number of GD applications (the seven that have already been listed this year and another three that are in the pipeline), the Committee has focused on three major topics recently. The first is the introduction of the electronic weighing of gold as an alternative to the use of the traditional beam balance (see the article on page 7). The second, also of relevance to the vaults in London, is the development of a new formal procedure for the recognition of vaults used by the bullion market. Thirdly, a new draft Memorandum of Understanding on the application of VAT in the bullion market has been under development. Once reviewed and agreed with HMRC, it is intended that the Memorandum

of Understanding will be circulated to all members, to clarify any areas of doubt about the application of this sometimes complex tax within the bullion market.

Public Affairs

As always at this point in the year, the Committee's work has been dominated by intensive discussions on the speaker programme for the forthcoming conference that will be held in Berlin in late September. The Committee has also been kept informed about the new revamp of the LBMA website, which has a number of new features and a completely redesigned user interface. We would be delighted to receive comments on the new website, including suggestions for content that might be included in the new Members Area.

Finance

The Committee completed its main task for the year in preparing the annual accounts for 2009, which were duly approved by the Management Committee and adopted by the AGM. In reviewing the aged debtors list, the Committee expressed some concern about the number of aged debts (see below for the response from the Membership Committee). Given the expansion of the LBMA's budget in recent years and the increased number of transactions to be processed, the Committee has also introduced a number of monthly bookkeeping checks, which will ensure that the accounts are always up to date.

Membership

As can be seen from the above, the Membership Committee has had a busy quarter. In addition,

it has discussed whether approaches might be made to other types of institutions that might be interested in Membership, such as research companies and central banks. However, the Committee concluded that although applications from such companies would be welcomed, the LBMA would not proactively encourage them to apply.

Reference Materials Project

Both the gold and silver phases of the project are now complete, and the materials have been sent to all those companies that had pre-ordered and paid for them. In addition, sales have been made to companies, including those that are interested in applying for Good Delivery accreditation. Details of the materials (both the technical specifications and the sales prices) can be found on the website.

Annual General Meeting

The LBMA Annual General Meeting was held in the Armourers Hall, in Coleman Street in the City of London, on 23 June. In addition to the formal business of approving the accounts and appointing the auditors, the meeting received reports from the Chairman and the chairs of the four Subcommittees. The following members were elected to the Management Committee:

Philip Aubertin (UBS)
Simon Churchill (Brinks)
Kevin Crisp (Mitsubishi)
David Gornall (Natixis)
Raymond Key (Deutsche Bank)
John Levin (HSBC)
Steven Lowe (Bank of Nova Scotia)
Martyn Whitehead (Barclays)

The new Committee then met and chose Kevin Crisp as Chairman and David Gornall as Vice Chairman. Interestingly, this is the first time in the LBMA's history that both these offices have been held by representatives of Ordinary Members.

The London Gold Market Fixing Limited has announced that there will be no afternoon gold fixings on Christmas Eve, Friday 24 December, and New Year's Eve Friday 31 December, 2010.

Biennial Dinner

The Biennial Dinner this year will be held on the evening of 25 November. The venue will again be the splendid Goldsmiths' Hall. Details of the event (including the price) will be circulated to all Members and Associates nearer the time.

On the afternoon of the same day, the LBMA is organising a seminar that will address a number of topical issues, including some that will be of interest to the many official sector representatives who are expected at the dinner as guests of the Association.

REACH

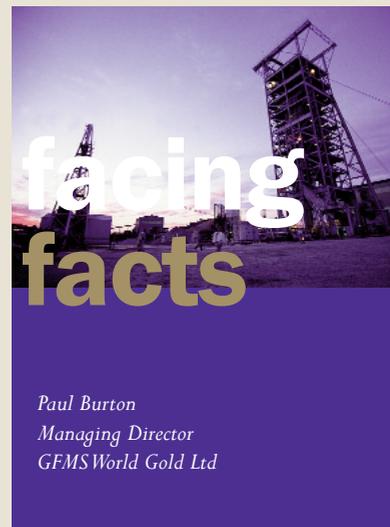
The LBMA's work on REACH is almost complete, at least for the moment. Pre-registered companies will shortly be contacted by the Brussels-based Precious Metals Consortium about how they can gain access to the necessary Registration Dossier to complete their registration (and importantly, the cost of obtaining it).

Chief Executive Presentations

The Chief Executive has made a number of presentations at industry events in the past quarter, mostly on the Good Delivery List and the role of the London Bullion Market, especially in relation to the burgeoning investment market for gold and silver:

1. SACHS Investment Conference in London
2. Dubai City of Gold Conference The Ninth Biennial Gold Symposium, Lima
3. The 7th Shanghai Futures Exchange Derivatives Market Forum
4. ETF Securities Conference Call.

He would like to thank all the organisations for their invitations. Copies of his presentations can be found on the website. ■



Juniors are risky investments, but essential players in the gold industry

Few Alchemist readers will be familiar with what we in the industry call the 'the junior mining sector'.

Individually, 'juniors' do not contribute much, if anything, to annual mine supply and, even collectively, their impact is hardly noticeable in an industry dominated by multimillion ounce producers.

But juniors, which include junior explorers, are vital components of the gold-mining industry and represent a compelling investment class for investors with a high propensity for risk.

Junior explorers are the exploration pioneers in lands where major gold companies may fear to tread. They act as the vanguard for their more conservative and larger contemporaries.

In recent years, it has been the juniors that are collectively spending over 50% of the global exploration budget and that are responsible for making the bulk of discoveries.

They comprise, in most cases, small geology-led outfits with a passion for exploration and boundless energy and enthusiasm. What they often lack, however, is money, and the need to refill the treasury can be a constant headache for management. Exploration companies, you see, don't generate any income, although they are very adept at spending it. They have no gold production; no sales revenue; only a long list of expenses and salaries to pay. Their only asset, apart from a right to explore a certain piece of ground, is the intellectual capital of the team.

Thus, exploration companies can be considered as performing the critical research and development function for the industry.