

# LBMA News

By Stewart Murray, Chief Executive, LBMA

## MEMBERSHIP

### Associates

On 15 November, 2011, OJSC Nomos Bank of Russia was admitted as an Associate.

### Ordinary Members

On 16 November, 2011, Industrial Commercial Bank of China (ICBC) was admitted as an Ordinary Member.

On 14 December, 2011, The Toronto-Dominion Bank of Canada was admitted as an Ordinary Member.

On 31 December, 2011, MF Global UK Ltd was removed from the Membership List due to the company going into administration.

These changes brought the membership to a total of 136 companies, comprised of 62 Ordinary Members (of which 11 are Market Makers), 70 Associates and 4 Affiliate Members.

## GOOD DELIVERY LIST

Nadir Metal Refinery of Turkey was added to the Gold List on 8 December, 2011.

Jiangxi Longtianyong Nonferrous Metals Company of China was added to the Silver List on 28 December, 2011.

There are currently 62 refiners listed on the Gold Good Delivery List and 72 refiners listed on the Silver Good Delivery List.

## COMMITTEES

### Management

The Committee met in November, as well as in December for a strategy meeting which included the chairmen of the Sub-Committees. A particular focus in recent meetings has been on regulation, especially the implementation of the LBMA Responsible Gold Guidance. At the Strategy

Meeting, it was agreed that the Membership should be consulted about the LBMA's activities and the services it provides to Members. The meeting also discussed the possibility of carrying out surveys of loco London turnover on a regular basis (similar to the survey of Q1 turnover in 2011 which was described in Alchemist 63).

The Committee reviewed plans for the 2012 Conference in Hong Kong during the period 11-13 November, 2012,

which will again be held in association with the LPPM.

It also approved plans to mark the LBMA's Silver

Anniversary in late 2012, which will include a seminar and a special version of the Biennial

Dinner, to be held

on 10 December. It is hoped that many of the people involved in the founding and subsequent development of the Association will attend.

The Committee also agreed the plans to relocate the Executive office from Basinghall Street to larger premises in the Royal Exchange Buildings, just across Threadneedle Street to larger premises in the Bank of England. The move is expected to take place in early March. The LBMA has grown significantly in the 10 years since moving to Basinghall Street and the new office will allow more room for the staff and better facilities for Members and other visitors.

The LBMA now has a full-time staff of seven plus Aelred Connelly, who has been seconded from the Bank of England to assist in a number of aspects of the LBMA's Good Delivery work. The increase in staff resources has been needed to cope with the increasing workload brought on by the numerous regulatory issues facing the bullion market.

Together with the office move, this has resulted in higher costs and the Management

Committee has agreed to increase annual subscriptions for Members,

Associates and Good Delivery refiners (the

first such increase for three years). Details have been sent to all refiners on the List.

### Regulatory Affairs

The RAC met in early December to discuss a variety of regulatory issues.

These included the LBMA Responsible Gold Guidance as well as the LBMA's work within the OECD Working Group on Conflict Gold. Since the RAC has met, the LBMA has finalised its Responsible Gold Guidance. Compliance with the Guidance is a new requirement for GD Gold Refiners. The Guidance was circulated to all GD Refiners on 6 January, with copies being sent for information to Members and Associates. The main purpose of requiring all GD gold refiners to comply with this Guidance is so that those banks, dealers and users which buy LBMA-accredited gold bars

can do so with full confidence that the gold will be considered by the market to be conflict-free, for instance in relation to section 1502 of the US Dodd-Frank Act.

For more information on the LBMA Responsible Gold Guidance and other regulatory issues facing the precious metals market, see the Regulation Update on page 22.

The RAC also reviewed the LBMA's current contacts with regulators, with a view to improving communication between the LBMA and regulators within the UK, EU and US.

### Physical

Apart from August, the Physical Committee met each month last year. The main work of the Committee consists of supervising the processing of GD applications and the Pro-Active Monitoring of refiners. From time to time, this also involves fine-tuning the Rules which govern the GD system. Some important changes in the Rules have been agreed recently. The first is that refiners will have to provide data on their tangible net worth and production on an annual, rather than a three-yearly, basis (though the technical testing part of Pro-Active Monitoring will remain on a three-yearly cycle). In addition, the Committee also agreed to an increase in the minimum net worth that applicants for listing must attain, namely from £10 million to £15 million. Existing refiners which do not meet this criterion will be allowed a grace period of two years to increase their tangible net worth.

The final parameters for the new proficiency testing scheme for gold fire assayers were agreed and the exercise will be initiated in early February.

Work is continuing on a new version of the Visual Guide to Good Delivery bars, which will assist vaults, refiners, referees and auditors in clarifying the difference between physical imperfections (i.e. which would be accepted by London vault managers) and more serious defects, which will result in bars being rejected as non-London Good Delivery.

The Executive's workload in the Good Delivery area seems to increase constantly, partly because of the above-mentioned changes in the Pro-Active Monitoring regime but mostly because of the work on Responsible Gold Compliance described above. In addition, there is no let-up in the number of companies interested in being LBMA accredited. Amazingly, as many as 10 refiners (in seven countries) are now pursuing their ambition to achieve this much sought-after status.

These added workload pressures are further reasons why the Committee recommended increases in GD application fees and also in the annual maintenance fees for existing GD refiners, which were referred to earlier.

#### Public Affairs

The Committee has begun its work on the arrangements and speaker programme for the 2012 Hong Kong Conference. The will take place in November 11-13 over two full

days. This extension of the programme is in response to the continued growth in the number of delegates attending and the need to have more efficient ways of fostering contacts between them.

#### Finance

The Committee met in September to review the three-year budget forecast in the light of the income and expenditure for Q1 to Q3 2011 and the financial implications of the Executive's move to the new premises.

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The members of the Committee and the Executive send him our best wishes for a long and happy retirement. There was already a vacancy on the Committee due to the move of Jeremy East to the Membership Committee. The two vacancies have now been filled by Peter Roberts of Mitsubishi (who has transferred from the Membership Committee) and Brian Pereira of Brinks.

#### VAT Group

Discussion has continued within the VAT Group about the

development of a new Memorandum of Understanding on the VAT treatment of bullion market transactions. The aim is to produce a document that will cover both the LBMA and LPPM metals and which will be accepted by both these markets and by HM Revenue & Customs as a practical guide for members. This discussion has been protracted because of the need to resolve two difficult issues (relating to the storage of allocated precious metals and transactions between non-members which are under the effective physical control of members). It is hoped that a final version of the MOU will be available for distribution to all members shortly.

#### Annual Party

Staff at Members and Associates should mark their calendars for the 2012 LBMA annual party to be held on 1 March. Details of this Members-only event will be circulated shortly to contacts in all companies within the membership. Registration opens at the end of January.

The party will cost £25 (plus VAT) per person.

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Please contact your official LBMA contact closer to the time to be added to your company's list of participants.

#### Committee Vacancies

There is a vacancy on the Membership Committee due to the move of Peter Roberts to Finance. There are also two vacancies on the Regulatory Affairs Committee following the departure of Chris Savage and Farham Amin, who have been reassigned internally.

Anyone from a member company interested in applying for these roles should send an email to the Chief Executive with a brief statement of their bullion market experience.

#### LBMA Executive – Employment Opportunities

There are two positions available at the LBMA Executive, Public Relations Officer and Office Administrator. For a detailed job description, please contact the Chief Executive.