

LBMA News

By Ruth Crowell, Chief Executive, LBMA

MEMBERSHIP

Members

On 31 December, Phibro Ltd resigned as an Ordinary Member. On 21 January, Natixis Commodity Markets Ltd resigned as an Affiliate Member.

On 2 May, G4S Cash Solutions UK Ltd was admitted as an Affiliate Member.

Associates

On 26 March, International Depository Services of Delaware and International Depository Services of Canada were both admitted as Associates. These changes brought the membership to 147 companies, comprising 76 Members (of which 11 are Market Makers) and 71 Associates.

GOOD DELIVERY LIST

On 22 April 2014, the gold refinery of Kennecott Utah Copper LLC of the United States was admitted to the Gold Good Delivery List. There are currently 69 refiners on the Gold Good Delivery List and 77 on the Silver Good Delivery List.

COMMITTEES

Management Committee

Following the announcement by the London Silver Fixing Company Limited (SFCL) on the 14 May, that it will cease to administer the London Silver Fixing with effect from close of business on 14 August, the Management Committee has been helping the Executive in considering the most suitable way forward to assist market participants and ensure that the London Silver Market continues to serve efficiently the needs of market users around the world. On the 16 May, the LBMA launched its online survey in order to take into account the views of as many market participants as possible. The Committee will be monitoring closely with other sub-Committees and the LBMA Market Makers to take forward the consultation process and subsequent streams of work.

Prior to the SFCL announcement, the Management Committee had been considering the best way

forward for the LBMA's involvement in forward benchmarks, in particular GOFO which the LBMA has acted as an administrator since its creation. It has been preparing in order to ensure IOSCO compliance and was considering the possibility of outsourcing the administration of the GOFO benchmark to an independent third party. This experience and existing relationship with third-parties greatly assisted the LBMA in the recent Silver Price consultation. The Committee is also reviewing the work of the sub-committees below and helping finalise the programmes for the Bullion Market Forum in Singapore on 25 June and the conference in Lima, Peru on 9-11 November.

Regulatory Affairs Committee

The Regulatory Affairs Committee has also advised the Management Committee and Market Makers during the recent Silver Price consultation as well as a review of GOFO as outlined above. The Committee has also been focused on benchmark regulation with regard to GOFO and the end-of day Forward Curves. With the assistance of the RAC, the LBMA sent a letter in April to the Basel Banking Committee in response to the proposed Net Stable Funding Ratio Consultation. The LBMA highlighted that applying the same Required Stable Funding (RSF) factor of 85% to all commodities was an over-simplification and that the Committee should take into account the unique attributes of gold, which is a highly liquid commodity (and more akin to cash) and the run-to asset in periods of stress. The LBMA stressed that such a high RSF would have a detrimental impact on market liquidity and the gold market, including central bank activity. Similar letters were sent from other industry bodies including the World Gold Council. The RAC is working with these bodies and other members to help produce a liquidity impact analysis for all precious metals following Basel III implementation. The other main area of focus for the RAC has been the Responsible Gold Guidance. For further information, please see the Regulation Update on page 26.

Physical Committee

The Committee continues to

monitor a record number of applications for Good Delivery accreditation. Excluding the newly accredited gold refinery of Kennecott mentioned above, the Executive is processing five gold applications and seven silver applications from refiners in seven different countries. In the past 12 months, 10 refiners (six silver and four gold) have been accredited and a similar number are thought to be preparing applications for submission in the next 12 months. Recent meetings of the Physical Committee have covered a much wider spectrum of issues than in the past. These include the Basel Committee's consultation on the net stable funding ratio in relation to gold held by banks. Another topic has been the data relating to the impact of precious metals on the UK's balance of payments position, which is supplied to the Bank of England by a number of LBMA member companies. A number of issues arising from proactive monitoring of refiners on the list have also been discussed. These primarily relate to changes in refiners' tangible net worth or refined production. Refiners that do not meet the LBMA requirements for these measures must explain the reasons for this and also indicate the actions proposed to bring them up to the minimum levels. Two very interesting numbers arising from this work are the figures for total refined production represented by the accredited refiners. Although it takes time to complete this data collection, the figures for 2011 are now complete. The total for gold is 4,695.8 tonnes and for silver is 28,395.5 tonnes, in both cases significantly above the respective world mine production of 2,838.1 tonnes and 23,545 tonnes. A number of questions about bar quality have also been discussed and where necessary, the Executive has taken action to ensure that the quality of future production meets the Good Delivery standard. There are a number of responsible gold issues (affecting both current gold applications and existing refiners) that the Committee has been keeping under review. The Committee has also followed with interest the discussions and proposals on conflict minerals stemming from the European

Commission. See the Regulation Update on page 26. Part of the Committee's remit is responsibility for the Approved Weigher system and it has recently approved a more formal approach for evaluating the results of the weighing test, which applicants for this status must undergo. The Committee has also agreed that to cover the Executive's costs in processing such applications, there will in future be an application fee of £2,000.

Finally, the Committee noted the completion of the AuRM3 Reference Material Project (see the article on page 25).

Public Affairs Committee

The PAC has been concentrating on preparations for the annual conference, which this year will be held at the Westin Lima Hotel & Convention Centre in Lima, Peru on 9-11 November, 2014. The programme for the conference is currently being finalised and will be announced shortly.

The Committee is also assisting with the preparations for a Bullion Market Forum, which is to be held at the Marina Bay Sands Hotel in Singapore on 25 June, 2014. The purpose of the forum is to encourage the development of the Singapore bullion market. Similar forums have been held in the past in Moscow, New Delhi and Shanghai to focus primarily on local bullion market issues. Over 200 delegates have already registered and a new Indian Gold Market Session has been announced.

Please see the LBMA's website for further details.

The Committee has also agreed to again hold a joint cocktail reception with the LPPM on 18 September, in New York, for members and invited guests. This will be along similar lines to the one held in New York last year.

Finance Committee

The Finance Committee has been focusing on the 2013 audit and financial statements. Kingston Smith, the LBMA's external auditors, were highly satisfied with the standard of the 2013 accounts and no issues of concern were

reported. The Audited Financial Statements for 2013 have now been signed off by the Executive..

Annual General Meeting

The Annual General Meeting of the LBMA will take place in Glaziers Hall, 9 Montague Close, London Bridge on Friday, 11 July at 16:30. This is an ideal opportunity for any staff in Member and Associate companies to hear about what the LBMA has been doing and to meet representatives of other member companies. This year it will be the turn of the four Ordinary member representatives to be elected (or re-elected). In line with the usual procedures, the documentation, including nomination forms for the Management Committee election, will be circulated to the main LBMA contact in each member company in advance of the meeting. The AGM will, as usual, be followed by an informal drinks reception at 17:30.

Obituary

By Robert Stein



George Pajak, 2 September 1951 - 16 April 2014

It is with great regret that we announce the untimely death of George Pajak on 16 April. After graduating in International Relations with a 1st at University College London in 1974 George went into the City and embarked on a 20 year career in commodities. He started life at Tennant Trading learning about the world of base metals and rare metals before joining Derby and Co in 1978 where he joined the late Guy Field in a start up Bullion operation quite something in the days of the monopolistic 5 gold fixing members. I first met him in 1979 when I joined Derby, which had by then become the 6th member of the London Bullion market and it was clear that we would not only become colleagues but also good friends. George had a very good brain and liked to philosophise. His sense of humour was first class and he was extremely generous to both colleagues and his family, whom he frequently assisted. After leaving Derby a Phibro Salomon subsidiary in those days he spent the rest of his career at Credit Suisse, Dresdner and finally Engelhard ironically being the former parent of the Derby/Phibro empire. After leaving Engelhard, George had a short spell working for an ex Derby colleague trading garlic, peanuts, and other more exotic commodities. He thoroughly enjoyed this period of his career but decided that he wanted to return to Student life and finished his Masters in Contemporary Eastern European studies at the School of Slavonic Studies (University of London) in 1997. Over this 25 year period George had become a very shrewd property investor acquiring properties in the Kensington/Earls Court area and after his period in the world of academia he spent most of his time maintaining this portfolio. George's death at such an early age is tragic because we have lost a very good friend and our sympathies go out to his long time partner Grazyna and step children Anselm and Charlotta.

Tony Evanson joins Brinks Global Services

Tony Evanson joined Brink's Global Services in March 2014 as Director of Vaulting.

He has been actively involved in the market since 1984, most recently with Barclays and was a member of the LBMA's Physical Committee from March 2010 until recently. He currently chairs meetings of the Vault Managers.

Nicholas Frappell joins Mitsui & Co. Precious Metals Inc.

Nicholas Frappell moves to Mitsui & Co. Precious Metals Inc. in Hong Kong. After three years covering EMEA precious sales for MPM in London, he joins the Hong Kong office to expand the precious metals business in Australia, ASEAN and the Near East.

Amaryllis Gryllaki joins the Toronto-Dominion Bank

Amaryllis Gryllaki joins the Toronto-Dominion Bank Global Metals desk in New York in the role of Metals Sales Associate. She spent 6 years at Deutsche Bank, most recently in the role of Commodity Sales Associate, where she cross sold commodity products including energy and natural gas, base and precious metals, agricultural, softs and dry bulks. She will play an important role in the expansion of T-D's North American regional base and precious metals business.

Market Moves



Tom Hungerford joins Heraeus Metals New York

Tom Hungerford has joined the Precious Metal trading desk at Heraeus Metals New York.

He will focus on PGMs, and brings with him seven years of sales, marketing and trading experience in the Precious Metals industry. He originally joined Heraeus in May of 2012 from Johnson Matthey where he began his career as a precious metal trader in 2007.

Harau Kutani, Mitsubishi Materials Corporation

Harau Kutani moved from General Manager, Precious Metals Division to Base Metals on the 1 May. Mr Koji Matsuda takes over Harau Kutani's previous role.

Changes at Umicore Group

Ralf Drieselmann, SVP Precious Metals Management of Umicore Group and Peter Meixner, PGM trader of Umicore in Hanau, Germany, will both retire in early June 2014. They will be replaced by two long standing employees of Umicore based in Hanau, Germany, with Ralf being succeeded by Dr Bernhard Fuchs and Peter by Oliver Stoehr.