

LBMA News

By Ruth Crowell, Chief Executive, LBMA

MEMBERSHIP

Associates

On 16 June, CJSC 'Sberbank' CIB was admitted as an Associate.

On 11 August, NOMOS Bank OJSC changed its name to OJSC 'Bank Otkritie Financial Corporation'.

On 23 July, Istanbul Gold Exchange transferred its Associate status to Borsa Istanbul A.Ş.

These changes brought the membership to 146 companies, comprising 76 Members (of which 11 are Market Makers) and 70 Associates.

GOOD DELIVERY LIST

On 16 May 2014, the gold refinery of MMTC-PAMP India Ltd was admitted to the Gold Good Delivery List. This is the first time that a gold refinery from India has been accredited by the LBMA. The company's silver refinery was accredited in October 2013.

On 23 May 2014, the silver refinery of Ohio Precious Metals LLC of the United States was added to the Silver Good Delivery List.

On 3 June 2014, the gold refinery of Heimerle + Meule GmbH of Pforzheim in Germany was added to the Gold Good Delivery List.

On 30 June 2014, the silver refinery of Hunan Huaxin Nonferrous Metals Co. Ltd of Zixing City in China was added to the Silver Good Delivery List.

On 17 July 2014, the gold refinery of Metalor Technologies Singapore Pte Ltd was added to the Gold Good Delivery List.

On 12 August 2014, the gold refinery of TCA SpA of Capolona in Italy was added to the Gold Good Delivery List and the silver refinery of Republic Metals Corporation of the United States was added to the Silver Good Delivery List. Republic's

gold refinery was accredited in February 2014.

There are now currently 73 refiners on the Gold Good Delivery List and 80 refiners on the Silver Good Delivery List.

COMMITTEES

Management Committee

The Committee worked with the Executive, the Regulatory Affairs Committee and the Market Makers group to ensure that the new LBMA Silver Price was successfully implemented as planned on 15 August. This was a monumental occasion in the history of the London bullion market, marking the end of the 117 years of the London Silver Fix and heralding the beginning of the solution provided by CME Group and Thomson Reuters. There are currently four price participants who have been accredited to contribute to the LBMA Silver Price: HSBC Bank USA NA, Mitsui & Co Precious Metals Inc, The Bank of Nova Scotia – ScotiaMocatta and UBS AG. Going forward it is expected that further participants will be accredited to contribute to the price in the coming months.

The London Gold Fixing Company Limited (LGFCL) announced on 16 July "that with the support from the LBMA it has commenced an RFP (Request for Proposal) process with a view to appointing a third party to assume the responsibility for the administration of the London Gold Fixing". Since then, the Management Committee has been assisting the Executive in preparing for the next stages in this process. An online survey was launched on 4 September, and in parallel with this, expressions of interest were invited from potential solution providers, following which Request for Proposals were distributed to 13 participants, with a closing date for responses of 10 October. The next stage will be to hold a Market Seminar on 24 October. It is expected that a gold price solution

will be chosen and be put in place before the end of the year.

The Committee is also considering the long-term strategy and structure of the Association. This is in view of the fact that its role as a trade association and market body has evolved over time. The LBMA's role in providing market infrastructure has increased from the Good Delivery accreditation to encompass benchmarks and now has a broader scope of work to contend with.

The Committee is also reviewing the work of the Sub-Committees below and assisting the PAC with finalising the arrangements for the annual conference in Lima, Peru on 9-11 November, as well as planning for the 2015 conference which will take place in Vienna on 18-20 October 2015.

Regulatory Affairs Committee

One of the main areas of work for the Committee has been co-ordinating with the Management Committee and Market Makers regarding the successful implementation of the LBMA Silver Price on 15 August. The attention of the Committee is now focused on MIFID, MIFIR and Basel III implementation along with the Gold Price consultation and RFP process.

The Committee has also been focused on benchmark regulation with regard to GOFO and the end-of-day Forward Curves (administered on behalf of the LBMA by the LME). Due to a dwindling number of contributors, the decision was made to discontinue the end-of-day Forward Curves with effect from 22 September. This decision does not impact on GOFO, which will continue to be set at 11:00am each business day.

Another main area of focus for the RAC has been the Responsible Gold Guidance. For further information, please read the Regulation Update on page 24.

Physical Committee

In the last edition of the *Alchemist*,

it was noted that the Physical Committee was monitoring a record number of Good Delivery applications. As can be seen from the list in the Good Delivery section, this work has borne fruit in the form of seven new accreditations, which is a record for reporting in a single edition of the *Alchemist*. Nevertheless, the number of applications that are being processed remains at a high level. They include two gold and four silver applications from refiners in four different countries. In addition, six refineries are thought to be preparing applications that are likely to be submitted in the next 12 months.

At its most recent meeting, the Committee approved some mostly minor changes to the GD Rules. These are listed in the preamble to the Rules, which can be downloaded from the LBMA website. The more important changes are, firstly, that silver GD bars may now, in principle, be manufactured using an induction tunnel system and, secondly, that the LBMA's specifications for bar dimensions shown in sections 8 and 9 of the Rules are now mandatory for new applicants and for refiners that make changes (of any kind) to their GD bars. The Committee has also asked the LBMA's referees to carry out a review of the assay criteria relating to GD applications and Proactive Monitoring based on the considerable volume of assay data that has been accumulated over the past decade, namely since Proactive Monitoring was introduced in 2004. Following completion of this review and consideration of the referees' recommendations, the Committee is likely to make changes in the criteria for the assay testing of applicants and for existing refiners being subjected to Proactive Monitoring.

Ensuring that the quality of GD refiners' large bars is fully compliant with the GD standard (both with regard to physical quality and the assay accuracy of the underlying metal) has resulted in the

Committee requiring three refiners to address such issues and take appropriate remedial action. In one case, a gold refiner was required to undertake the full 24 assay sample test used for new applicants and only after this had been successfully passed was the company's GD accreditation confirmed.

A significant part of the discussions taking place at each Committee meeting now relates to compliance, partly in relation to companies that are already on the GD List, but these discussions have focused recently on how the LBMA should ensure that refiners whose applications are accepted for technical assessment meet the regulatory requirements for listing. Similarly, monitoring gold refiners' compliance with the LBMA's Responsible Gold Guidance is now a staple part of the Physical Committee's workload.

Although monitoring GD applications represents the bulk of the Committee's work, it also has responsibility for a number of vault-related activities such as procedures for weighing. This includes the system for accrediting vaults as Approved Weighers. On 4 June, G4S Cash Solutions' new vault was listed in Annex F of the GD Rules as an Approved Weigher.

Public Affairs Committee

The PAC greatly assisted the Executive with preparations for the LBMA Bullion Market Forum, which took place in Singapore on 25 June 2014. Special thanks to Albert Cheng of the World Gold Council and IE Singapore for their invaluable support of this successful event. A review of the forum can be found on page 22. The PAC also worked with the LPPM in hosting the second annual LPPM/LBMA Cocktail Reception. This was well attended and preparations are taking place for 2015. The PAC is also considering when and where the LBMA will return to Asia, following the successful Forum.

The PAC has been concentrating on preparations for the annual conference, which will be held this year at the Westin Lima Hotel & Convention Centre in Lima, Peru on 9-11 November 2014. The programme for the conference was officially launched in the second half of August and can be viewed on the conference website which can be accessed via the Events section of the LBMA's website. The Committee is also making preparations for the Biennial Dinner, which will take place at the Guildhall, London on 1 December. Registration for the dinner will be announced shortly. The keynote speaker will be Lord Daniel Finkelstein, the Times Associate Editor and government policy advisor.

Membership Committee

The Committee continues to process a record number of membership applications, as can be seen from the Membership list summarised at the beginning of LBMA News.

The main function of the Committee is to ensure that the LBMA's Membership continues to maintain the high standards required upon application. This includes demonstration of active involvement in the London Bullion Market, passing KYC requirements and adherence to the NIPs Code. This is done both at the application stage and also, for Associates, by means of the Associate review system. The review used to be conducted on a three-year rolling programme, but in October 2013, the first annual review was carried out and this has now become an annual feature of the work of the Committee. The Executive also carry out reviews of Members and Associates on a case by case basis when more urgent issues arise (for example sanctions.)

The Committee continues to look closely at the sponsorship system, in particular the issue of due diligence carried out on Associates and also Good Delivery refiners, and

in view of the regulatory pressures that everyone in the market is now experiencing, has taken steps to tighten the procedures used for Associate Reviews.

Finance Committee

The recent focus of the Committee has been to review the current year's Management Accounts, along with the budget for the forthcoming conference in Peru. Income has been supported by an ever growing number of membership and GDL applications. But costs this year have also risen, as a result of unexpected legal and consultation costs particularly relating to the consultation work on the silver and gold prices as well as increased staff costs to deal with the Association's ever growing workload.

Annual General Meeting

The 26th Annual General Meeting of the LBMA took place at Glaziers Hall, 9 Montague Close, London Bridge on Friday, 11 July. In addition to the formal business of approving the accounts and appointing the auditors, the meeting received a report from the Chairman and a summary from Ruth Crowell, Chief Executive, of the work of the five subcommittees.

This year, it was the turn of the four Ordinary member representatives to be elected (or re-elected). Grant Angwin, Johnson Matthey, Simon Churchill, Brinks Ltd and Jeremy East, Standard Chartered Bank were re-elected to the Management Committee. Robert Davis, The Toronto Bank Dominion, was elected to replace David Gornall, Natixis London branch plc, who resigned from the Committee (and accordingly stepped down as Chairman). The LBMA would like to extend its thanks and warm appreciation for the time, hard work and dedication that David devoted to the work of the LBMA throughout his three-year tenure as Chairman and prior to that six years as a member of the Management Committee.

The main news from the evening was that Grant Angwin, General Manager, Johnson Matthey was elected as the new Chairman of the LBMA and Steve Lowe was also re-elected Vice-Chairman of the LBMA. Grant has been a Member of the Management Committee since 2011. He has worked for more than 25 years for Johnson Matthey. For most of that time, he was based in the UK and held various positions within the refining business prior to being appointed Head of Sales at the Royston refinery in Hertfordshire. He relocated several years ago to Salt Lake City, USA as Sales and Marketing Director and shortly after that he assumed the position of General Manager.

LBMA Staff

The Executive is delighted to announce the appointment of Sakhila Mirza as General Counsel. Sakhila joined the LBMA on a permanent basis on 1 August having previously worked on a part-time basis since February, 2014 as a consultant on regulation related matters. Sakhila is responsible for all legal and regulatory aspects of the work of the Association. Sakhila brings with her a wealth of experience having previously worked in the energy commodities industry where she dealt with compliance and regulatory issues. Sakhila is a qualified Solicitor, with a degree in law from the London School of Economics.

The LBMA is sorry to announce the resignation of Emma Attridge, as the LBMA's Good Delivery Administrator. Emma's last day was 12 September and we would like to thank her for two years of exemplary service and wish her all the best for the future.

Steve Garwood and Russell Smith join Baird & Co

Steve Garwood has been in the metals markets for over 40 years, beginning with Sharps Pixley on both bullion and LME, and then with Credit Suisse in London and Tokyo, Shearson Lehman Bros., Bank of Nova Scotia and Barclays. Following a break from the market he joined Mitsubishi Corporation, and more recently was at the Mastermelt Group, before joining Baird & Co in their London office.

Russell Smith has over 20 years experience in the precious metals industry across Asia, Australia and the United States in a number of roles for Macquarie Bank and ScotiaMocatta. He is currently based in Singapore and leading Baird and Co's expansion into the Asia-Pacific region.

Giovanni Laureri joins Citi

On 1 July Giovanni Laureri joined Citi from UBS to head EMEA Precious Metals Marketing.

Yvonne Zhang joins CME Group

The CME Metals team has expanded with Yvonne Zhang becoming Director in Singapore.

Alisa Moen joins Dillon Gage Inc. of Dallas

Alisa Moen has joined Texas-based Dillon Gage Inc. of Dallas as General Counsel and President of International Depository Services Group of Delaware and Canada, the company's full-service depositories located in Wilmington and Toronto. Previously, she was a partner in the law firm Blank Rome LLP focusing on corporate and fiduciary matters.

Raphael Scherer, Arnd Gollan, Markus Weiss and Joachim Prior join Degussa Goldhandel GmbH

Raphael Scherer joined Degussa Goldhandel on 1 July 2014 as Chief International Officer (CIO) where he will focus upon the expansion of Degussa's international business. Prior to that, he was Managing Director at Chopard, the Swiss manufacturer of luxury watches and jewellery.

Arnd Gollan joined as of 1 July where he acts as the new Chief Operating Officer (COO) at Degussa. During the past nine years, Arnd was Head of Business Development and Product Management for Agosi AG (Allgemeine Gold- und Silberscheideanstalt AG).

Markus Weiss has also joined Degussa as of 1 August as the new Chief Financial Officer (CFO). He is responsible for finance, the middle and back office functions and systems. He spent several years with KPMG and most recently with Porsche Automobil Holding.

Joachim Prior joined Degussa as manager of the recently acquired precious metals refinery Schellhorn & Roth GmbH & Co. KG in Pforzheim, Germany. Previously, he worked as technical manager at PRIOR Engineering Services AG in Switzerland.

Metalor welcomes Philippe Royer as the new Group CEO

Philippe Royer, 52, has been appointed the new CEO of the Group. He has worked for more than 20 years in the metal-processing industry in operational and top-management positions, both in corporate and private equity environments, as Managing Director (Eurofoil), Business Unit President (VAW, Alcoa) and most recently over the past six years as Chairman and CEO of Manoir Industries, a leading supplier of cast and forged products to the aerospace, petrochemical and energy industries.

Patrick Hendry, Scott Sillitoe and Warren Swick join Prebon Premex London

Patrick Hendry moved from GFI to Prebon Premex. Patrick spent his last 15 years at GFI covering all Bullion products. He joins Prebon Premex as Head of Options to work out of their Dubai office. He will expand the precious metals option business with in the group.

Scott Sillitoe moved from GFI to Prebon Premex. After 17 years covering FX options at GFI in New York and Asia he will move to Dubai and focus on expanding their Precious Metals option business.

Warren Swick moved from BGC to Prebon Premex. Prior to joining he had been with BGC for 20 years, the last five covering Precious Metals. He joins their London desk to cover and expand their existing business.

David Spraggs retires from Sumitomo

After 34 years in the bullion market, and 40 years in the City, David Spraggs is retiring from Sumitomo on 25 September 2014.

Market Moves



Adam Finn and Oliver Watson join Triland Metals Limited

Adam Finn joined Triland Metals Limited on the 6 June as Head of precious metals.

Oliver Watson joined Triland Metals Limited on 1 May from Societe Generale as Precious Metals Dealer.

Changes at Heraeus, New York office

Miguel Perez-Santalla joined Heraeus Metals New York effective 30 June 2014, as the Sales and Marketing Manager. Miguel possesses over 20 years of experience in precious metal trading including seven years with Heraeus. With his knowledge of the business, he will drive the sales activities of Heraeus Metals New York by communicating and promoting various services that Heraeus trading can offer.

John Lawrence joined Heraeus Metals New York effective 8 September 2014, as a Trader. John has a Bachelor of Arts in Business Administration from Berkeley College and a Masters of Science in Finance from Baruch College. He started his career in Commodities Risk Management and Operations for Trafigura AG. John has spent the following nine years with Mitsubishi International Corporation working within Commodity Sales and Trading, precious metals department.

David Holmes joined Heraeus Metals New York effective 15 September 2014, as the Senior Vice President of Trading & Sales. David has over 30 years of experience working on commodity and precious metals trading desks with responsibilities including management, trading, sales and mine finance. Most recently, he held the role of Managing Director and Co-head of Commodity Solutions with Commerzbank AG in London.

LBMA Biennial Dinner 1 December 2014

The LBMA's biennial dinner will be held this year at the Guildhall, Gresham Street, PO Box 270, London, EC2V 7HH.

There will be a Cocktail Reception at 18.30 followed by dinner at 19.30. As usual, this will be a black tie event, and is open to Members, Associates and their guests. The guest speaker this year will be Lord Daniel Finklestein.