

# LBMA News

By Ruth Crowell, Chief Executive, LBMA

## MEMBERSHIP

On 30 March, Koch Supply and Trading LP was admitted as an Affiliate Member, as was Bank of America N.A. on 28 April.

The following companies were admitted as Ordinary Members: Asahi Holdings Inc on 17 April, Sharps Pixley Ltd on 10 June and Bank of Communications Co. Ltd on 6 July.

Viamat changed its name to Loomis International (UK) Ltd with effect from 6 July.

These changes brought the membership to 150 companies, comprising 82 Members (of which 14 are Market Makers) and 68 Associates.

## GOOD DELIVERY LIST

On 9 June, the gold refinery of Daye Nonferrous Metals Co., Ltd was admitted to the Gold Good Delivery List.

There are currently 73 refiners on the Gold Good Delivery List and 83 on the Silver Good Delivery List.

## COMMITTEES

### Management Committee

In the past 12 months, the Management Committee has enhanced its scope from reviewing the work of the Subcommittees to proactively developing the strategy and vision for the LBMA. Most recently it has been working with Ernst & Young and the LPMCL on the Strategic Bullion Market Review. This change of focus has been driven by the changes in the regulatory landscape. In the next 12 months, the LBMA will expand its remit to provide new services and technology to the international market that it serves. These services will start with market-led trade reporting, which is in line with the Fair & Effective Market Review. To support these new services, the Committee will need to update the LBMA's legal structure and governance. The Committee will be recruiting Non-Executive Directors to give further firepower as well as enhanced governance to the LBMA.

The Committee has also been involved in reviewing the work of the

Subcommittees outlined below.

### Regulatory Affairs Committee

The Committee continues to focus on the developments with European regulations, including MFID and MFIR as well as the outcome of the FEMR report, which was published in June. Please see the Regulation Update on page 23 for further details.

Three new participants have recently been approved to participate in the LBMA Gold Price auction process, which is administered by ICE Benchmark Administration (IBA). These are Bank of China, Morgan Stanley and Standard Chartered, taking the total number of participants in the auction process to ten: Barclays Bank, Bank of China, Goldman Sachs International, HSBC Bank USA NA, JP Morgan, Morgan Stanley, Société Générale, Standard Chartered, The Bank of Nova Scotia-ScotiaMocatta and UBS.

The modernisation of the benchmarks has seen a six-month fee-free period (from the date of their respective launches) for all benchmarks to ensure minimal disruption to the market. However, going forward, the administrators of each benchmark will levy licence fees for real-time access to the data in order to offset the associated IT, legal and compliance costs. Anyone who would like to access the benchmark prices in real time will need to purchase a licence from the respective administrator and,

accordingly, the LBMA is required to publish the prices on its website with a delay, rather than in real time (see table below).

### Physical Committee

In addition to the recent additions to the Good Delivery Lists outlined above, there are currently two active applications – one for gold, which has passed stage one, and one for silver, which is currently at an advanced status of stage two. The LBMA announced recently that, with effect from 26 June, the Tokyo Commodity Exchange (TOCOM) has been granted a licence to use the LBMA's Good Delivery List as part of its own accreditation procedures. TOCOM joins NYSE Liffe US, which was granted a licence in September 2011, and NYMEX/CME, which was granted a licence in February 2013.

Total refined gold production represented by the accredited refiners on the LBMA's Good Delivery List was 6,601 tonnes in 2013, more than double mine production of 3,061 tonnes. For silver, refined production by listed refiners was 24,570 tonnes, marginally below the 25,494 tonnes of mine production in the same year.

A joint meeting between the LBMA and the Shanghai Gold Exchange (SGE) was held during the recent LBMA Forum in Shanghai. Matters of mutual interest were discussed culminating in the issuing of a 999.9 gold kilobar specification. This does not mean, however, that kilobars are now deliverable into London. Due to the volume of bars processed daily

by the London vaults, this would not be economically practical. For those readers unfamiliar with the background to this issue, the LBMA accredits refiners to its Gold Good Delivery List on the basis that they satisfy the GD Rules only in relation to large 400 troy oz bars (approx. 12.5kg). The LBMA does not set any formal standard as such for kilobars; however, many of the refiners on the LBMA's list do produce kilobars in addition to standard 400oz bars. The LBMA has issued kilobar specifications to assist the refiners and traders active in 999.9 kilobar markets.

Historically, the SGE had required that all kilobars imported into China must contain, within the impurities, maximum proportions of certain elements such as silver (<0.050ppt) and copper (<20ppt). This meant that refiners had to tailor their refining processes and techniques to satisfy these requirements. Refiners that did not meet these standards would routinely have their kilobars rejected by China. In some cases, this would amount to thousands of bars, which were then the liability of the refiner that had produced them. Even if the refiners were able to offload the bars into other markets, the risk was that they could end up at some point being exported to China and then again be rejected. The new agreed standard means that refiners need only produce a 999.9 kilobar and does away with the requirements for silver and copper, such that the impurities in the bar can now consist of any element and in any proportions that a refiner produces. This news has been welcomed by LBMA refiners, because they do not have to make one type of kilobar for the Chinese market and another standard for other markets.

Preparations for the next round of the Proficiency Testing Scheme have commenced and will take place in early 2016. Further details will be communicated later this year to all GD refiners that are participating in the scheme.

The latest round of Pro Active Monitoring (Round 28) is almost complete, with no reported issues. The next round is expected to start shortly.

The Visual Guide II will be launched in early August. The Visual Guide will ensure consistency when questions

Price	Administrator	Date that charges for access to real-time data became/will become effective	Time at which prices are published on the LBMA's website.
LBMA Gold Price	ICE Benchmark Administration	1 October 2015	30-minute delay
LBMA Silver Price	CME/Thomson Reuters	12 January 2015	Currently 15-minute delay, but at 8pm with effect from 31 August
LBMA Platinum & Palladium Prices	LME	13 July 2015	Delayed until midnight

For further information including data licence arrangements and pricing structures, please refer to the LBMA Prices Summary page at: [www.lbma.org.uk/lbma-prices-summary](http://www.lbma.org.uk/lbma-prices-summary)

of quality arise and will maintain the efficient movement of physical gold through the London vaults.

At the last Referees Group meeting, the stock levels of silver testing samples was discussed and it was agreed that the process of manufacturing new samples would commence shortly.

It was noted that Stewart Murray will be less involved in the day-to-day work of the Good Delivery List. Instead, he will provide expertise on special projects such as the Visual Guide. The LBMA would like to thank him for his significant contribution to the work of the Committee. However, in view of his substantial and critical contribution to the work of the Referees Group, Stewart will continue his consultancy role in support of the Group.

#### Membership Committee

The Committee continues to review a growing number of Membership applications, which demonstrates the growing relevancy and diversity of the Association. Any refiners, producers or central banks that

may be interested in applying are invited to contact Sunny Field at sunny.field@lbma.org.uk. Further refiner, producer and central bank membership would be a welcome development and would further extend the breadth and strength of the LBMA.

#### Public Affairs Committee

The Committee helped prepare the programme for the Bullion Market Forum in Shanghai on 24-25 June, which proved a great success. A review of the Forum is on page 19.

The other main focus for the Committee in recent months has been preparing the programme for this year's LBMA/LPPM Conference on 18-20 October in Vienna. Speaker highlights for this year include Keynote Speakers Lord Gus O'Donnell, Strategic Advisor to Toronto-Dominion Bank, and John Authers, Senior Investment columnist at *The Financial Times* as well as a dedicated Central Bank Session with speakers from the Bank of England, Deutsche Bundesbank and the Oesterreichische Nationalbank. Registration for this event is now

open and we would encourage those interested in attending to register for the event as soon as possible as places this year will be limited in order to avoid overcrowding.

#### Finance Committee

In view of the ongoing strategic review, the Committee has been focused on re-evaluating its short-term and long-term funding to ensure continued stability for the Association. The Committee has recently prepared the Management Accounts, including the three-year budget review.

#### Annual General Meeting

The LBMA's 27th Annual General Meeting took place at Glaziers Hall on Friday 3 July. This year, the five Market Making representatives on the Management Committee were required to stand down, although they were eligible to stand again for election for a further two-year period. The following Market Making representatives were re-elected to the Committee: Robert Davis, Toronto-Dominion Bank; Peter Drabwell, HSBC Bank plc; Jeremy East, Standard Chartered Bank; and Steven Lowe, Bank of Nova

Scotia-ScotiaMocatta. The following Market Making representative was elected to the Committee, Sid Tipples, JP Morgan Chase Bank N.A.

In addition, this year, owing to recent resignations from the Committee, there were also three Ordinary Member vacancies to be elected. The following representatives were elected to the Committee: Mehdi Barkhordar, PAMP S.A.; Allan Michael Finn, Malca-Amit Commodities Ltd; and Chris Thompson, Sumitomo Corp. Global Commodities Ltd.

Grant Angwin of Asahi Refining USA Inc was re-elected Chairman of the LBMA. Grant has been a Member of the Management Committee since 2011. Steven Lowe of Bank of Nova Scotia-ScotiaMocatta was re-elected LBMA Vice-Chairman. A full copy of all Subcommittee Reports and Grant's report from the AGM can be found on the LBMA's website.

## Obituary - Michele Genel

By Umberto Magro, General Manager, PAMP SA



**3 November 1958 – 29 June 2015**

In memory of Michele Genel who sadly passed away on 29 June, 2015. Born on 3 November 1958, Michele boasted an educational background in chemistry and held a sworn assayer's diploma from the Swiss Federal Bureau for the Control of Precious Metals.

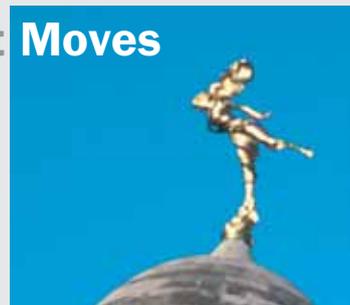
After several years of working experience in the laboratories of Argor and Inpharzam (Zambon Group), he joined PAMP SA in 1985, where he continued his professional activities as sworn assayer until September 2012, when he decided to move on to a new challenge at ECOMETAL SA.

During the time spent at PAMP SA, Michele was in charge of the Testing and Assay Laboratory. He participated in the growth and development of the company and supported the acquisition of certifications and international accreditations linked to the refining and processing of precious metals such as LBMA, LPPM, COMEX and TOCOM. The company obtained the ISO 17025 accreditation and became an LBMA Referee in 2004, as well as an LPPM Referee in 2007.

Among his several activities, he was involved in the implementation of the assay laboratory of MMTC-PAMP India and played an active role within the LBMA and LPPM Referee panels. He also contributed to the success of the LBMA Assaying and Refining Seminars.

The LBMA Good Delivery Referees, as well as those of the LPPM, will always remember Michele as a calm and likeable person whose dedication and leadership were so appreciated. He will be dearly missed.

## Market Moves



### Michael Kempinski joined Degussa Precious Metals Asia Pte Ltd as

Managing Director in April 2015. He brings with him 20 years of experience in the precious metals industry, the last 4 years of which have been in Singapore. Most recently, he held the position of Director with Deutsche Bank Singapore.

Headquartered in Frankfurt, Degussa seeks to penetrate the Asian precious metals market via Singapore by providing a broad range of Degussa-branded bullion bars and coins, coupled with storage solutions to private and institutional investors. As such, the first Asian Degussa subsidiary will open in Singapore in late summer, 2015.