Regulation Update

By Sakhila Mirza, LBMA General Counsel

**Responsible Gold Guidance (RGG)**

It has been three years since the LBMA launched its Responsible Gold Guidance (RGG). Both the refiners and auditors have worked diligently during this time to understand the requirements and to ensure that the LBMA RGG has been implemented successfully.

Version 6 of the LBMA RGG was released in August 2015. It includes a requirement for country of origin disclosure (which will not be publicly reported), a reduced time-frame for site visits to higher-risk sources, as well as some corrections, alignments and clarifications. A webinar walking through the new version was held on 2 September 2015 and a recording of it is available on the LBMA’s website.

In line with the guidelines, all refiners are granted a three-month window immediately following their financial year end to submit an independent audit report to the LBMA. We are pleased to report that all 73 Gold Refiners refiners have successfully passed their 2014 audit under the programme.

**Other regulation news**

**Basel III:** The LBMA, together with the WGC, have met with EBA twice this year. The most recent meeting took place on 9 September 2015, where the WGC, LBMA and a number of bullion banks met with the European Banking Authority (EBA). Back on 31 October 2014 the Basel Committee on Banking Supervision (BCBS) published its final report on the Net Stable Funding Ratio (NSFR) under Basel III. The report included a revised version of the required stable funding (RSF) factor for a number of assets, including gold. Gold’s haircut had been increased from 50% in the 2010 proposal to 85%. At the meeting with EBA, those in attendance expressed their concerns on the impact that the 85% haircut would have on both liquidity and the cost of doing business, which would impact the end users, such as refiners (amongst others) significantly. Costs will be transferred to clients, making it very expensive to do business and market liquidity will fall as a result of firms seeking to reduce their gold holdings. EBA has requested further quantitative data on the impact that a 85% haircut would have. In particular EBA would like to receive more illustrative examples, supported by quantitative data, and provide any information on how accounting treatments may impact the NSFR. The EBA was very clear that, without the requested data they cannot consider recommending a re-assessment. In addition, there is a public hearing on the matter, which is scheduled for 15 October 2015.

**European Financial Services Regulations:** On 28 September 2015 the European Securities and Markets Authority (ESMA) published its financial technical standards on the Markets in Financial Instruments Directive (MiFID II) and the Markets Abuse Regulation. These technical standards will help stakeholders to understand how the legislation will apply in practise to market participants, market infrastructures and national supervisors. The new technical standards of the European financial markets by increasing their transparency, providing for fairer, safer and more efficient markets and also supporting stronger investor protection.