GD APPLICATIONS AND PAM
A BRIEF HISTORY

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LBMA Assaying and Refining Conference
20th March, 2017
SCOPE – Mark II

Current website version is even more boring!

Good Delivery Evolution

• LBMA and its predecessors
  • Bank of England
  • London Gold Market
  • London Silver Market

Requirements for GD bars and refiners

• Assay Testing
• Bar dimensions, shape, weight
• Markings, appearance and physical quality

Proactive Monitoring
BEFORE THE LBMA

Bank of England

- First Gold “List”: 1754
- Last BoE Gold List: 1933
- Included melters and assayers

London Gold Market
(aka Rothschilds)

- First Gold Fixing: 1919
- First Gold List 1934

London Silver Market
(aka Mocatta)

- First silver fixing: 1897
- A few of its GD Lists survive (but almost no application documentation)
Bank of England and the Gold GD List

Why is the Bank Important?

• The Bank was the Bullion Market’s regulator until 2000
• The Bank holds large amounts of gold for many central banks (many of which are clients of LBMA members)
• The Bank holds gold for a number of LBMA members
• The Bank only provides allocated gold storage
• All gold bars in its vaults must be London Good Delivery
• It has an active and ongoing interest in the quality of the metal traded through the London market
Bank of England – Pre-Transparency

LBMA Website – circa 1999
Bank of England – Post-Transparency

Bank of England – The Age of Glasnost

How did transparency arrive?

- 2006 - Gold Holdings Revealed (if you knew where to look)
- 2012 - Professor Poliaikoff (and his camera-man!)
- 2017 – Monthly Holdings reports Website, Video, App, Flickr page
Bank of England and the Gold GD List
A Timeline of the Bank’s Role

1934: The first London Gold Market List

1953 - LGM asks Bank for its approval of the Market’s accreditation recommendation (after technical testing and usually after receiving confirmation from the refiner’s central bank that its bars were acceptable)

The request to the Bank asked if “it would accept the bars without melting and assaying”

1978: Request for comments from Bank prior to accepting applications (hopefully based on advice from the refiner’s central bank). Arrival of Japanese refiners with support from JMIA

1986: Request for Bank’s comments simultaneously with technical assessment

1995: Nod of approval from Bank before accepting some applications

1996: Refiner accredited without BoE approval (based on central bank support)

2000: Accreditation without explicit BoE or central bank support letter
THE LBMA ARRIVES

1987: LBMA Establishment

• LGM and LSM passed responsibility for their GD Lists to the LBMA
• LGM & LSM continued under new names to operate the gold and silver fixes until these were replaced by the LBMA spot prices in 2014 and 2015

The First LBMA GD List

• First LBMA GD List was published in 1988 as an insert in its first brochure
• Updated versions included with revised brochure in 1989 and 1991

1993: The LBMA Handbook

In addition to the GD List, this contained Rules for GD applicants and sections on:
• Trading gold and silver
• The LBMA’s Articles of Association
• Membership list
• Committee structure and members
• VAT
• Compliance
Bullion Market Compliance in 1993
The Good Old Days

COMPLIANCE

Most dealings in the London bullion market in wholesale amounts are undertaken through LBMA members, the majority of which are financial institutions that are subject to prudential supervision by at least one of the UK regulatory authorities. All Market Making Members of the Association (plus, of course, all Ordinary Members that are banks) are supervised by the Bank of England and required to satisfy a capital adequacy test. These firms must also abide by the London Code of Conduct in all their dealings in bullion, whether these are with other Market Members or customers. In order to ensure that the same high standards of professionalism are maintained across the whole of the London market, all members of LBMA are, as a condition of membership, expected to comply with the London Code of Conduct.

Copies of the Code can be obtained free of charge, from the Wholesale Markets Supervision Division, Bank of England, London EC2R 8AH.
2004 – GOOD DELIVERY PERES TROIKA

Expanded Referees Panel appointed in December 2003
(following a 2-year accreditation process involving the manufacture and cross
checking of a large number of reference samples)

Double blind testing of applicants’ sample bars
Applicants send their unmarked bars to a London vault which send them on behalf
of the LBMA to two referees for testing.

Assay testing performed anonymously
Referees have no information on which refiners are being tested with the reference
samples which they provide.

Proactive Monitoring was introduced, involving
Assay testing of dip samples from current production (also involving blind assay
testing by the referees) and
Provision of up-to-date production and tangible net worth information.

Executive Responsibility
The LBMA Executive took over from the vaults responsibility for processing
applications (and shipping samples) and from the Referees, responsibility for
assessing the results of applicants’ assay tests.
TIMELINE: Assay Fineness & Testing

Gold: Prior to 1954 ~900, ~916 (coin bars) and 995+
After 1954: only 995+

Silver: Has always been 999+

1977: First use of Referee gold samples to test applicants (previously, referees tested applicants’ samples)

1990: Objective pass/ fail criteria agreed with the LBMA's two referees (first published in GD Rules in 2000)

2000: Change of order of testing (assay test before sample bars)

2004: Change to 5-figure comparisons
Rounding-up of 5-figure gold assays to 999.9 disallowed

2013: Weight of gold reference samples reduced from 10g to 5 g

2011: Adoption of objective criteria for unacceptable bias in assay results

2014: Rounding-up of 5-figure gold assays to 995 disallowed

2014: Possible use of spectrographic analysis for gold
TIMELINE: Bar Dimensions and Weights

Weights of bars have always been expressed in fine troy ounces of gold and gross troy ounces for silver

2000: Bars should be “ingot-shaped”
Recommendations on dimensional range for silver bars

2004: Recommendations on approximate dimensions for gold bars

2008: Recommended ranges for dimensions and undercuts

2010: Compliance with dimensional ranges and markings mandatory on any change

2013: Use of electronic balances for gold described in Rules

2013: Removal of description in Rules of weighing silver using beam balances
Rules describe for converting metric to London troy ounce weights

2013: New method for calculating undercut (re safe stacking and handling)
TIMELINE: Bar Production & Markings

1934: Only mark needed was the stamp of acceptable melter
1954: Serial numbers and melter stamp (plus assay stamp or certificate)
1982: Recommendation for a separate year mark
2000: Font height $\geq 12.5$ mm (later 12 mm)
2006: Acceptability of third party assayers and certificated bars terminated
2008: Gated moulds for silver disallowed
2008: Mandatory 4-digit year mark (either separate or part of bar number)
   Marking on bottom surface disallowed
   End-marking for silver bars allowed
   Dot-matrix punching of marks allowed
2012: Continuous casting allowed for silver
2013: Consistent fonts must be used for assay marks
2013: Induction tunnels allowed for gold and, in 2014, also for silver
2015: Upside-down casting disallowed
TIMELINE: Bar Quality

1976: First brief mention of requirements for physical bar quality (concerning faces, edges, shrinkage and safe handling & stacking)

1993: Further clarifications were provided about defects to be avoided (including the mention of “bubbles” on the bottom surface)


2015: Launch of the online LBMA Visual Guide
EVOLUTION OF NON-TECHNICAL RULES

Criteria for acceptability of applicants

In 1982, general requirements for operating history, tangible net worth and production levels were introduced for gold by the London Gold Market. These criteria were adopted and in some cases modified by the LBMA.

- The initial requirement was for 10 t of annual refined production of large gold bars. In 2000, this was relaxed to 10 t of total refined production.
- For silver, the LBMA adopted a figure of 30 t of total refining production in 2000 and amended this to 50 t in 2012.
- Owning company tangible net worth of £5 million (increased to £10 million in 1993 and £15 million in 2012).
TIMELINE: Applicant Due Diligence

2000: “a brief history of the business and operations of the Applicant, including its current ownership structure”

2004: List of directors, main shareholders
Evidence of company formation, ownership, reputation and financial standing
General description of suppliers and customers

2004: Relaxation of the requirement for a letter of support from its central bank

2012: For gold refiners, audited compliance with LBMA Responsible Gold Guidance
TIMELINE: Other Technical Information

2004: Additional information from GD applicants:
Detailed description of refining technology and laboratory methods
Video showing details of refining, casting and laboratory equipment
High-quality technical bar drawings and photos with application

2014: Weight lists must be machine readable

2016: Actual photos of applicant sample bars must be submitted in advance
PROACTIVE MONITORING

In 1997, monitoring by means of questionnaires, resulting in some transfers to the Former List.

Proactive Monitoring was introduced in 2004 and has remained essentially unchanged since. See Annex I of the GD Rules.

Assay testing once every three years.

Following a successful test, the refiner is provided with feedback on the submitted assays or, if appropriate, elemental analyses.

Refiners must provide production and TNW information annually. From April 2017, refiners must demonstrate an ability to cast GD bars.