

Chief Executive's Remarks

Ruth Crowell

LBMA Chief Executive

Good morning ladies and gentlemen. Many thanks Grant, Peter and Hilton for your kind words of wisdom. As of this morning, we are delighted to have 690 participants from 40 countries around the world. It is not an all-time record, but given the state of budgets for commodities, I think we all can agree it's an excellent turnout. Thanks to all of you for your presence and participation here today.

As Grant mentioned, I will be giving you an update on all the progress made on the LBMA Strategic Vision. However, first a bit of housekeeping and a bit of voting. For those familiar faces in the room, you will be delighted to see our voting handsets have successfully made their way through Austrian customs and we will be able to hear even more from you in the audience. I say you are delighted, unless you are Ross Norman, who preferred people being forced to stand up and ask questions. And I have sympathy for Ross as it makes life significantly easier for the moderator. So this year, you will be able to text questions through, however only during the presentations. When it comes to open question time at the end of each session, you will only be able to use your handset as a microphone, no texting. Simply raise you had to speak and when the moderator recognises you, press the button the microphone button and hold it six inches from your mouth. I'm also delighted to hear that many of our moderators have questions for the audience as well. Many thanks to them, the PAC and to Aelred Connelly who has harassed everyone to ensure these questions are included. Now the best way to explain how to vote, is to do some. First, what sections of the market do we have in the room? We endeavour to attract a more diverse attendance each year and it would be useful to know who is represented here today. Next the gold price forecast. Last year you got the direction right for the first time since Berlin in 2011, but I'm afraid you were overly ambitious. Please enter your price forecasts for gold now. And the results will be waiting for you tomorrow. I need something to make sure you get out of bed after what I'm sure will be a spectacular evening. So what has the LBMA been up to since we met in Lima? Quite a lot. We have brought in more fire power with the addition of a Head of Marketing, Jamie Maskall and we have significantly enhanced the Operations Director role with the appointment of Ed Blight, formerly of G4S. Neil Harby our Good Delivery Officer joined us this year from Rand Refinery. Neil has taken the Good Delivery work from strength to strength. Highlights include

expanding our work into kilobars, launching the online Visual Guide, improving communications with refiners and seeing national legislation pass to allow all LBMA gold refiners to successfully complete their Responsible Gold Audits. Neil will be giving a more in-depth update this afternoon.

Turning to new business, we have actively engaged in key international markets such as China, India and the US and will continue to do so on an on-going basis. This is to ensure we are representing and engaging with the international market, not just those closest to home. Most important of our outreach work this year was the Bullion Market Forum which held jointly with the Shanghai Gold Exchange in June. The LBMA will continue to have an annual presence in Asia, next year we will take the main Conference to Singapore.

In terms of other new regulatory business, we have transitioned gold, platinum and palladium onto electronic platforms with independent, five-star administrators. The LBMA was recognised by the FCA this summer for its Silver Fix work as a Best Practice example of how to transition a benchmark. We have and will continue with your help to represent the needs of the market to the UK regulators, EU regulators US regulators, governments around the world, the UN, the OECD and many others.

The changes in political, regulatory competitive environment have required the Association to expand its scope in order to maintain its recognition as the world's most competent authority on bullion. We launched a strategic review of our work last summer, culminating in an E&Y review of the whole market, not just LBMA. The scope of the review was huge: all potential market services, fragmentation, such as multiple industry bodies serving the market; capital, liquidity and balance sheet regulations; risk of reduction of market liquidity and the need for greater transparency of the market.

When I say EY did more than just look at the LBMA, I'm delighted to inform you that the London Precious Metals Clearing company took part not only review, but we have now agreed to formalise our working relationship, with the LBMA providing Executive services going forward. I'm grateful to the LPMCL directors for their leadership and their support for removing fragmentation from the market. However, EY did not just approach market organisations such as LPMCL, they also come to talk to many of you. The LBMA Executive & EY consulted with a vast majority of our members and other potential stakeholders to solicit

their views on how the LBMA should continue to evolve and more importantly serve the market. As a result of all of this, the LBMA has decided to implement significant changes not previously seen in its 28 year history.

The agreed vision is for the LBMA to offer a suite of new market services, and the governance and corporate structure to support them. A New Trade Association for all four metals will be formed which will hold the current assets of the market such as the Good Delivery List as well as develop new Financial Services to support market trading. To enhance its governance, the new Board will include for the first time Non-Executive Directors whilst giving more power to the Executive so as to ensure any conflicts of interest are eliminated. The new services will start with market led trade reporting, which is in line with the Fair & Effective Market Review as well as an aggregate platform. However, all potential services, including clearing and listed products are on the table. We have launched a Request for Information from service providers and set up a User Group to review these proposals. The User Group is made up of future users of these services, LPMCL, LPMM as well as elected Management Committee representatives including refiners and transport companies. The User Group will indicate of the suite of potential services and technology what should be prioritized for immediate action in 2016. While its current structure will continue to evolve to fit the needs of the market, the fundamental role of the LBMA will remain the same. That role is to set standards for quality, integrity and to ensure that the London bullion market continues to serve the needs of its members and their customers around the world.