



LBMA

The London Bullion Market Association

1-2 Royal Exchange Buildings

Royal Exchange, London EC3V 3LF

+44 (0)20 7796 3067 mail@lbma.org.uk www.lbma.org.uk

Introduction

The London Bullion Market Association

The LBMA is the international trade association that represents the market for gold and silver bullion, which is centred in London but has a global client base, including the majority of the central banks that hold gold, private sector investors, mining companies, producers, refiners and fabricators. The current membership includes 147 companies which are either actively involved in the local London bullion market or which provide services to the market, such as supervising and assaying.

The LBMA was formally incorporated in 1987 by the Bank of England, which was at the time the bullion market's regulator. The LBMA took over the roles previously played by two separate organisations, the London Gold Market and London Silver Market, whose origins date back to the mid-nineteenth century.

Since the passage of the Financial Services and Markets Act 2000, spot and forward trading in bullion in the UK have not been regulated activities. As a result of the passage of the Financial Markets Act 2012 regulation of the UK financial markets has been significantly changed. The Prudential Regulation Authority ("PRA") at the Bank of England is now responsible for prudential banking regulation of most of the financial firms that are active in the bullion market. The PRA works closely with the Financial Conduct Authority (FCA) which is responsible for consumer and competition issues. Trading in spot, forwards and wholesale deposits in the bullion market is underpinned by the Non-Investment Products (NIPs) Code, which has been drawn up by participants in the UK foreign exchange, money and bullion markets. The Code can be downloaded from the Bank of England's website at:

www.bankofengland.co.uk/markets/documents/forex/fxjsc/nipscode1111.pdf

The LBMA's membership comprises 147 companies including refiners, fabricators, traders as well as those providing storage and secure carrier services. The LBMA represents these members, and through its maintenance of and publication of the Good Delivery List, sets the benchmark for gold and silver bars across the world. There are two categories of full membership: Market-Making and Ordinary. Although originally open only to UK-based companies, full membership can now be granted to companies in other countries as long as they have a branch or subsidiary in the UK. In January 2000, the Association widened its membership by introducing an Associate category, which allows companies that have strong ties to the London market to become part of the LBMA. The Association's 76 Full Members and 71 Associates are located in 30 countries.

“The ongoing work of the Association encompasses many areas, among them refining standards, trading documentation and the fostering of good trading practices.”

The ongoing work of the Association covers setting and monitoring refining standards, creating trading documentation and fostering and development of good trading practices. The LBMA's main role is the maintenance and publication of the Good Delivery Lists for gold and silver, which are universally recognised as the de facto standard of quality assured and assayed bullion.

- In the refining industry, the LBMA Good Delivery List is now widely recognized as representing the international standard for the quality of gold and silver bars, in large part thanks to the stringent criteria that an applicant must satisfy before being accredited. In 2004, the LBMA introduced a system of regular proactive monitoring of refiners on the List, an important initiative which further enhanced the reputation of the List and the refiners on it. The List is used by many precious metals exchanges around the world to define in whole or in part the refiners whose gold and silver bars are accepted in their own markets.
- The LBMA and the London Platinum and Palladium Market (LPPM) have produced a joint publication, A Guide to the London Precious Metals Market which describes the products that are available in the London precious metal markets and how these can be used by market participants. This can be downloaded from the LBMA website and printed copies can be obtained upon request from the LBMA Executive.

The LBMA's annual precious metals conference has since 2000 been the premier professional forum for the world's precious metals markets. Following the conference held in Rome, Italy during the period 29 September to 1 October 2013, the next event in the series will take place in Lima, Peru in the period 9-11 November 2014.

The Alchemist, the LBMA's quarterly journal, contains articles of general interest to all participants in, and observers of, the bullion market. It is available free of charge from the LBMA Executive.

The LBMA's website was upgraded in March 2014 - www.lbma.org.uk - and contains a range of statistics and information about the role of the LBMA as well as general information about the bullion market.

The LBMA Good Delivery List

In the refining industry, the LBMA Good Delivery List includes the world's pre-eminent refiners of gold and silver, located in 30 countries. The List is widely recognized as the de facto standard for the quality of gold and silver market bars and is used by precious metal exchanges around the world to define in whole or in part the refiners whose gold and silver bars are accepted in their own markets.

Since its foundation in 1987, the LBMA has maintained the Good Delivery List of gold and silver refiners which had previously been managed by the London Gold Market and the London Silver Market respectively. The List includes the refiners which have met the LBMA's requirements for assaying accuracy and bar quality and whose large bars are therefore acceptable in the London vaults operated by a number of LBMA members.

Maintenance of the Good Delivery List, including the accreditation of new refiners and the regular retesting of listed refiners, is one of the core activities of the LBMA. This activity is carried out by a full-time, professional Executive and is overseen by the LBMA Physical Committee, which consists of representatives of members of the Association involved in the vaulting and clearing of bullion.

In order to be listed, a refiner must first satisfy the Physical Committee as to its standing, ownership, net worth and operating history. In particular, it must have produced at least 10 tonnes of refined gold or 50 tonnes refined silver annually for a period of at least three years before it can be considered for technical assessment. Once an application is accepted for consideration, the first stage of technical testing involves an assessment of the refinery's assaying ability. This is done by the LBMA sending it a set of reference samples that the refiner's laboratory must assay within the exacting criteria laid down by the LBMA. If the assaying test is passed, the refiner is then required to submit bars for inspection by representatives of the London market and then technical testing by two of the LBMA's five Good Delivery Referees (which are located in Japan, South Africa and Switzerland). The Good Delivery Rules, which describe how applications are processed, also contain full details of bar specifications, and the inspection, weighing and packing procedures practised in the London vaults. The current geographical make-up of the List is shown below.

Area	Gold	Silver	Total
Africa	1	1	1
Americas	11	9	12
Asia	42	47	59
Europe	15	20	23
Oceania	1	1	1
Refineries	70	78	96
Countries	27	25	30

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Total refined gold production by the refiners on the List was 4,695.8 tonnes in 2011, well above world mine production of 2,838.1. For silver, refined production by listed refiners of 28,395.5 tonnes was greater than the 23,545 tonnes of mine production in the same year.

When a refiner ceases to produce the minimum quantities of refined metal required by the LBMA or if it fails to satisfy the Good Delivery criteria in any other ways, it will be transferred to the Former List.

In addition, the Former List includes:

- The names of companies that formerly operated Good Delivery refiners but which no longer exist, e.g. as a result of merger, takeover or closure.
- Description of the acceptable bars which were formerly produced but which have been replaced by new bars with different markings or dimensions.

In all these cases, Good Delivery bars produced before the transfer to the Former List are still considered Good Delivery in London.

In 2004, the LBMA introduced a system of regular proactive monitoring of refiners on the List, an important initiative which further enhanced the reputation of the List and the refiners on it. A description of how the proactive monitoring system works is described in the Good Delivery Rules.

The LBMA Responsible Gold Guidance

The Responsible Gold Guidance became a formal requirement of Good Delivery for all LBMA accredited gold refiners in January 2012. Since then, all 70 of the world's leading refiners have accepted the Guidance in principle and begun implementation. 61 refiners have successfully passed their independent third party audit with no instances of zero-tolerance non-compliances. The remaining refiners will complete this process in 2014 in order to remain on the London Gold Good Delivery List. Maintaining Good Delivery status is vital for any refiner to operate in the professional markets in London and around the world.

The LBMA has taken its role as accreditor of the world's gold refiners and expanded the scope of its requirements, to include OECD Due Diligence, by the creation of the Responsible Gold Guidance. The Guidance operationalizes and extends the OECD Gold Supplement for refiners and builds on existing Anti-Money Laundering and Know Your Customer management systems and auditing practices. It also makes what is a voluntary system (the OECD Guidance) mandatory for all refiners wishing to sell into the London Bullion Market. This framework is intended to assure investors and consumers that all London gold stocks are conflict-free due to compliance with an audited, conflict-free process.

Structure & Development

The Guidance is based on the OECD Due Diligence Guidance issued in December 2010 as well as Swiss and US KYC, Anti-Money Laundering and Combating Terrorist Financing regulations. The structure of the Guidance combines and expands leading refiners existing AML, KYC and security policies, management systems and audit processes to include risk-based due diligence in order to avoid contribution to conflict.

The LBMA Responsible Gold Guidance mirrors the OECD five-step framework for risk-based due diligence in the mineral supply chain. The definitions are based on the OECD's definitions as well as the Financial Action Task Force on Money Laundering's definitions (FATF). International auditing standards that independent and competent third parties auditors must use include ISAE 3000 and ISO 19011:2002, to incorporate both US and EU auditing systems for AML and KYC.

The LBMA Guidance goes beyond the requirements of the OECD Guidance in both its auditing requirements and its definition of conflict. Auditing is required for all refiners' production regardless of the source of their feedstock. This ensures that all metal going through the refinery is conflict-free.

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The LBMA has also created a Third Party Audit Guidance document to assist auditors conducting Responsible Gold Audits. This document provides transparency and consistency to the process.

Mutual Recognition & Industry Harmonisation

In addition to the LBMA, the organisations listed below are all dedicated to working together to avoid duplication of costs, particularly with regard to audits.

- Responsible Jewellery Council (RJC): Chain-of-Custody certification available for responsibly-produced and conflict-free gold, and conflict-sensitive sourcing practices.
- World Gold Council (WGC): Conflict-Free Standard for gold mining companies operating in conflict-affected areas. Supports LBMA refiner due diligence.
- Electronics Industry Citizenship Coalition (EICC): CFS audit protocol for gold refiners to assist the electronics sector with Dodd Frank reporting.

The LBMA recognises and supports the WGC's Conflict Free Gold Standard and the Fairtrade Fairmined standard. The WGC's standard greatly reduces the refiner's due diligence burden on mined production received that have gone through the audited Conflict-free process. The LBMA has also agreed mutual recognition of conflict-free refiner audits with the EICC - CFS programme as well as the RJC.

	LBMA	RJC	CFS (EICC)	WGC
Applies to	Refiners	All supply chain	Refiners	Mining Companies
Focus	OECD Due diligence, KYC and AML	Code of Practices; OECD Due Diligence	Country of origin, Dodd Frank Act	Conflict-free, OECD Due Diligence
Audit outcome	Good Delivery Accreditation	CoC Certification	Validated Smelter/Refiner list	3rd party assurance of due diligence
Harmonisation	Audit Recognition: RJC CoC. CFS audits = Responsible Gold Requirement	Audit Recognition: LBMA, CFS = conflict-sensitive sourcing only	Audit Recognition: RJC, LBMA audits = CFS Opportunity for harmonisation with LBMA and RJC	Supports refiner due diligence for mined gold under LBMA, RJC and EICC

OECD Due Diligence Guidance & Implementation

The OECD Due Diligence Guidance is seeking to establish a global framework to help companies to manage their mineral supply chains. The objective is to enable companies, through due diligence, to put in risk-based processes that will enable continued sourcing of minerals from so-called "red-flag locations" if the appropriate processes and controls are in place. LBMA Members as well as refiners have contributed to this work. Ruth Crowell, the LBMA's

Chief Executive also acted as the co-facilitator of the OECD Gold Supplement Drafting Committee and vice-chair of the OECD Multi-stakeholder Governance Group. All of the organisations listed above have also supported and been involved in the work of the OECD Due Diligence Guidance – Gold Supplement. This is in order to ensure that all these emerging initiatives work in concert towards a common goal of reducing the violence and human rights abuses funded by conflict minerals.