

Chairman's Remarks

Kevin Crisp

LBMA Chairman

Ladies and Gentlemen good morning. As LBMA Chairman and on behalf of colleagues on the LBMA's Management and Public Affairs Committees, I would like to welcome you all to the Balmoral Hotel here in Edinburgh and this the tenth Precious Metals Conference organised by the Executive of the Association.

As Stewart mentioned, this is my first time to stand before you as LBMA Chairman following the June elections, at the 21st Annual General Meeting of the Association. At the time of my election some journalists correctly identified I was the first LBMA Chairman not from a Market Making or Clearing firm and perhaps read into this a whiff of change in the air. Might well be. We shall see! I am though pleased to say that alongside me on the Management Committee are a group of extremely experienced and may I say driven individuals who between them represent all facets of the market, including of course the Clearers and Market Makers. Given the many, many lively meetings we have held since June I can confirm they are all as enthusiastic and committed as I am to ensuring the long term future of a healthy, global OTC Precious Metals Market and that London should continue to contribute as it has always done to the functioning of that market by providing a core set of services to the highest standards.

I should mention that we are today delighted to welcome Simon Churchill from Brinks onto the LBMA Management Committee, representing the Full Members of the Association. Simon replaces Gerry Schubert who recently stood down and I would like to thank Gerry for his great service and support.

Indeed, I would like to thank all members of our standing Committees for their great contribution in terms of time and effort for the benefit of the entire market. I'd like to specifically thank Edel Tully for taking over as PAC Chair and to Suki Cooper of Barclays who has recently joined the PAC.

My great thanks also to the LBMA Executive, not just for their tremendous professionalism in putting together this Conference but for their help and guidance over recent months. Stewart, Ruth and the entire Executive, thank you.

While I am in a thanking mode, I would like to express my gratitude today to my predecessor, Jeremy Charles of HSBC. In his three years as Chairman Jeremy brought enormous experience and knowledge to this position and guided us very ably. He is no less active now, behind the scenes and Jeremy has always been and still is a

tremendous supporter of the LBMA and its activities. Jeremy is also a tremendous supporter of the London Precious Metals Market in its entirety and is someone who appreciates as much if not more than most that we stand at a seminal moment for our market and that substantive change is inevitable.

As we approach the end of the first decade of the 21st century, it is clear to me that while the LBMA continues to play a very crucial role, as does the LPPM, we must appreciate that we are but parts of a complex framework of institutions which together underpin a truly global business. Events in global markets and the global economy that were unfolding at last year's Conference in Kyoto have had profound implications for all our businesses. The final outcome is not yet clear but the response is ongoing, placing considerable burdens on us individually and corporately. As a relatively small industry with limited administrative support on which to call upon as an industry, many are coming to appreciate that we have to address at least some of these issues in a more unified manner. We have already made some progress on this but I believe we must go further and that we need to find a more common voice in order address issues of collective interest.

The breadth of issues facing our industry, including market Regulation, Taxation, Environmental legislation, pricing benchmarks, the servicing of Good Delivery Systems and the rest do impact multiple organisations and this calls for much greater co-operation and coordination than is currently the case.

In that vein then I would like then to take this opportunity to offer a personal welcome today to the respective Chairmen and Representatives of the main organisations which together represent what we call the "London market". That is the London Platinum and Palladium Market, the London Precious Metals Clearing Ltd, the London Gold Market Fixing Ltd, the London Silver Market Fixing Ltd and the London Platinum and Palladium Fixing Company Limited. We also are delighted to welcome representatives and members of other institutions including the European Precious Metals Federation and the International Precious Metals Institute. As well, the new CEO of the World Gold Council and our friends from the Silver Institute in Washington. Also Exchange representatives from the CME, NYSE, and from the Exchanges in Istanbul and Dubai. And last but certainly not least, the Chief Executive of the London Metal Exchange and representatives of LCH.Clearnet. If I have missed anyone I sincerely apologise. The metals industry and certainly the precious metals business may be relatively small but we cannot be criticised for not being fully institutionalised.

When the LBMA incepted this Conference ten years ago our intent was to create a Conference for the precious metals market that was organised "By the industry for the industry". It was intended to provide a forum for market participants from across the entire spectrum of the industry to rub shoulders, discuss the state of the markets, make new relationships and strengthen existing ones and maybe even to do some business. As might be expected we have tended in our Conferences to focus heavily on fundamental industry issues such as supply and demand, technology and new sectors of business activity. We have not discarded that objective but this year, in light of all that has happened since Kyoto and given the knock-on effects to our industry, the organising Committee have tried to address the Future of the Market itself. Tomorrow's second session will be a Panel Session chaired by the LBMA's Vice Chairman Steve Branton-Speak from Goldman Sachs. It will bring together some of the major institutions, including HSBC, JP Morgan and Deutsche Bank in what I hope will be a lively and thought provoking discussion. I urge you to

participate in that session and in all the others. We have provided the technology to do this so please do use it: this is your Conference and this is a great opportunity to speak your mind. I don't think Andy Smith ever imagined he would be given such an open invitation.

I have hinted at change and it is indeed true that we are now managing a period of substantive change in our market. In response, the LBMA has added to its administrative staff and we plan for further expansion to be able to properly address a growing array of issues. I would be the first to admit that we have been quite coy in speaking publically about what we have been doing. I know we are perceived as a conservative (with a small "c") community in the London market and it is a weak excuse to say that this perhaps reflects the burden of history we all feel on our shoulders. London's history in precious metals is long and dare I say illustrious: the gold fix dates back 90 years and precious metals trading for much, much longer. It is therefore a challenge to implement change but change there must be to ensure the continued health of the precious metals market and the manner in which London contributes in that. I here refer not just to the OTC market, which the LBMA represents but the recognition that the OTC market co-exists alongside Exchange-based and futures markets – unless of course regulators dictate otherwise. Regulation and oversight are always tough issues to address and we are therefore delighted to have with us this morning Paul Mercier of the ECB and Michael Cross of the Bank of England who will give us their insights and perspectives. I am sorry to have raised expectations gentlemen on what you may have to say!

Five months in office have brought home to me not only the nature of the challenges but also the opportunities. Our markets have experienced an almost unimaginable resurgence of interest, a return of physical and paper-based investment and all-time high prices. Of course higher prices have negatively impacted many parts of the jewellery industry and created headaches for industrial consumers who have struggled to meet their procurement budgets. But gold is mainstream again it seems and articles on and discussion about the gold price and gold market in particular are now commonplace in the mass media. Levels of public awareness are very high and an array of new investment products are readily available making today's bullion market highly accessible to the mass investor market.

I firmly believe though that investor confidence in precious metals is underpinned in no small

part by the existence of the Good Delivery Systems, a robust Referee system, a dedication to education through the Bi-Annual Refining Seminars and proactive monitoring of participating refiners. These all ensure that when we talk about the price of gold, silver, platinum and palladium, we can refer to good delivery metal that would be the same, wherever in the world it was obtained. The Good Delivery Systems as they stand today are the result of a substantial investment in both money and time by a great many individuals and organisations. Some of that is well documented in the public domain but there is much more behind the scenes, such as the website and reference data created for the use of the vaults and the highly successful sets of Reference Materials created for gold and shortly to come in silver that have been in great demand.

The Good Delivery List and metal pricing are two issues that have been the focus of our attention of late. In response to a very clear need for a benchmark forward curve, we set up in August a Data Committee. It was charged with a very specific objective and was made up of a small group of what I call "franchise representatives" from across the market with the LBMA Deputy Chairman, Steve Branton-Speak as Chair. After discussion with all LBMA Forward Market Makers, agreement was reached on composition and administration of a contributed curve, and we began. That has now been running on a test basis for the past five weeks. Just over a week ago the Data Committee contacted all parties that have expressed interest in becoming involved in automating and helping to manage the collection and distribution of that data on a more commercial basis, with the closing date for submissions the 30th November.

Clearly a forward curve is but one of the data sets encompassed by the London Precious Metals Market and it is entirely logical that the issue of how to manage all that data and its commercialisation be addressed in a more coordinated fashion and that is a process that is already under discussion.

In summary then I have tried to give a very brief flavour of what has been going on and where we are. I am firmly of the belief that we need to be brave and to consider how best, for the benefit of all our members, we should pool resources. As an industry we need to cooperate more across a range of issues and to find a stronger collective voice. We are at a seminal moment and our actions now will define the future of the OTC market and the interface with Exchange-based

and futures markets. We have embarked on a path designed to strengthen the foundations of the market, based around Good Delivery and price and in coming months I hope that we can report to you our progress in these efforts.

Thank you for listening. I wish you a good Conference. ■