



The London Bullion Market Association

Wednesday 13 June 2007

PRESS NOTICE

JEREMY CHARLES RE-APPOINTED LBMA CHAIRMAN

At the nineteenth Annual General Meeting of the LBMA on Wednesday 13 June 2007, Jeremy Charles, HSBC Bank USA, NA, London Branch was re-appointed Chairman for a second year.

Martyn Whitehead, Barclays Bank Plc, was re-appointed as Vice Chairman. The other members of the Management Committee elected were:

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| Philip Aubertin | UBS |
| Stephen Branton-Speak | Goldman Sachs International |
| Kevin Crisp | Mitsubishi Corporation (UK) |
| David Gornall | Natixis Commodity Markets |
| Gerhard Schubert | Fortis Bank SA/NV UK Branch |
| Simon Weeks | The Bank of Nova Scotia – Scotia Mocatta |

In his report this year, Jeremy announced that Mitsui & Co Precious Metals, the first company to apply for spot marking making under the new arrangements agreed last year, had just completed its probationary period and that it had been approved as a spot Market Maker with effect from 14 June by the Management Committee.

The change in the requirements for market making was agreed at last year's AGM. Companies are now able to be classified as Market Makers without having to make markets in all three main products (spot, options and forwards) in both gold and silver. While making markets in both gold and silver is still required, companies can now do so in one, two or all three of the main products.

An abridged version of Jeremy's speech is attached and has also been posted on the LBMA website at:

http://www.lbma.org.uk/publications/AGM2007_Charles_200706.pdf

For further information please contact Stewart Murray, Chief Executive, or Susanne Capano, PR Manager, on tel. (0)20 7796 3067.

LBMA Annual General Meeting

Wednesday 13 June 2007

Remarks by Jeremy Charles, LBMA Chairman

Ladies and Gentlemen,

It is my pleasure to present my report on the affairs of the LBMA just one year after you entrusted me with the Chairmanship. Being Chairman has enabled me to see much of what goes on behind the scenes at our Association and in particular the excellent work that is done by our Executive. The rewards have been considerable and our Association continues to enjoy an enviable reputation, particularly in the international arena.

I am delighted to see such a good turn-out of Members and Associates here today. Some of you may recall that the attendance last year was much lower than normal, and in seeking to address this, we started this meeting a little later so that more of you could take part.

Apart from the formal business, today is also an opportunity for you to hear at first hand from our sub-committee chairmen about what the LBMA has been doing on your behalf during the past year. I will try not to pre-empt what they will have to tell you but instead make a few general points on the market and the activities of your Management Committee and the Executive.

In addition, we would be very happy to hear from any of you today or later with your thoughts on our future direction. This is your association and it is important to understand that decisions that are made by the various committees can have a significant impact on your businesses so we encourage you to voice your opinion.

The market itself continues to provide a generally benevolent environment for most of us, with volatile trading at times testing our ability to service our customers' needs. The number of personnel moves recorded in the pages of the Alchemist reflects the fact that there is shortage of experienced bullion traders and this underlines the general health of our market which a number of institutions have recently entered.

Investment demand for precious metals remains strong, more than compensating for the price-induced weakness of some physical markets. In terms of the gold price (in real terms), we are now in the seventh year of a rising market. Can we see further price rises and a continuation of the high levels of activity seen since the turn of the millennium or are we more likely to see seven lean years following these seven fat ones? I am not going to attempt to answer this question but all I would say is that our market must always be prepared for change.

In spite of the establishment of various new exchanges in recent years, the Loco London contract and the infrastructure that supports it continues to prove its value. I am concerned about the fragmentation of liquidity but the fact that we still see a steady stream of new companies applying to join our market as members speaks for the considerable success of our contract.

Many of you will no doubt recall that at the Montreux conference last year, I referred to the steps which the LBMA had taken to widen the group of Market Makers, in particular by allowing Market Makers to operate in spot or forwards or options or any combination of the three. During the past year I have spoken to a number of ordinary Members about the possibility of them being re-classified as Market Makers. Some of these members feel that market making is not for them, while others are keen to explore this possibility once they have a suitable level of staffing. However, I am delighted that one of our ordinary Members has decided to take the plunge and I am very pleased to be able to announce the name of the first company to take advantage of becoming a spot market maker under the new arrangements. It has just completed its probationary period and following a poll of existing Market Makers, the Management Committee has decided that, with effect from tomorrow, 14th June, the London Branch of Mitsui & Co Precious Metals will become a spot Market Maker.

I would like to congratulate Anne Dennison and her colleagues on this achievement and to thank Mitsui for stepping up in this fashion. I will be meeting other ordinary Members in the near future and I am very hopeful that during the coming year we will see other companies deciding to become Market Makers in one or more of the three disciplines. This will further strengthen the London market and allow us to provide an even better service to the market's customers.

With its small Executive staff, the LBMA could not achieve what it does without the dedicated efforts of those members who serve on the Management Committee and the sub-committees. I would like to acknowledge with thanks the contribution that they make to our work and especially the sub-committee chairmen for their time and the knowledge they bring to our discussions.

The Physical Committee continues to act as the vital gate keeper of the Good Delivery List, ensuring that the standards for gold and silver bullion set by the LBMA are adhered to and that, if there is any deviation from these standards, corrective action from the refiners concerned is taken with the utmost urgency. We do not change the Good Delivery Rules without good reason, but there is a need to revise these from time to time so that they both correspond with best practice in the refining industry and meet the needs of the industry's global customers, whether they be industrial fabricators, central banks or the various types of funds which have become major investors in gold and silver.

There is a continuing need to foster contacts within the market and with our customers – which we do through the annual conference, the biennial dinner, and our annual party for members. Congratulations go to the PAC for an outstanding Conference in Montreux last June and for a most enjoyable biennial dinner held in the splendour of Goldsmiths Hall in November. Electronic trading tends to mean a lack of face to face contact between market participants and last year the Chief Executive held a series of dinners which provided a useful forum for discussion and feedback as well as for reminding us what our colleagues in the market look like!

The success of the Loco London contract and the LBMA has meant that an increasing number of companies want to become part of our family, either as full members or Associates. The Membership Committee has the important task of ensuring that only appropriately qualified companies are admitted to the membership (taking account of the standing, level of trading activity, and the track record of the applicants in the market as well as the support for them from existing members). This is not a trivial task and we will no doubt hear shortly about the steps that have been taken in the past year to make sure that we maintain the highest standards in our membership just as we do in our other areas of activity.

On the financial front, the Management Committee has been slightly concerned in recent years that we appeared to have a permanent surplus in our annual accounts. With the very healthy balance carried forward from previous years, we felt that we should find some way of reducing this. So we were pleased to see that in effect by making both the annual party and the biennial dinner free to members last year, we have managed to make a slight loss. However our financial position remains very strong, so much so that with the expiry of our 5-year lease on our office in Basinghall Street later this year, the Committee has decided that we should upgrade our accommodation by moving to a slightly larger office and one that truly reflects the status of the LBMA. I have seen for myself how many important delegations from countries such as China want to visit us and it is very important that our office location presents the Association in the best possible light.

We have also had discussions with our sister organisation the LPPM and, as a result, we have agreed to co-operate in a number of areas such as looking at the possibility of producing a comprehensive guide to the London bullion markets and, most importantly, organising next year's conference in Japan as a joint venture between the two organisations. This will emphasise the fact that London is a one-stop shop for all the precious metals.

I am very pleased that we continue to benefit from the presence of the FSA as an observer on the Management Committee. We are not a regulated market but having a close relationship with the FSA is of very great value to us.

So to summarise our market remains in excellent shape and looking ahead even though there remains a considerable number of challenges for the LBMA, I have no doubt that with the help of the Members as well as the Executive, we can face the future with full confidence.