

PRESS RELEASE

LBMA Membership Initiatives

3 January 2002

The London Bullion Market Association has adopted modifications to its policies regarding its Membership categories and the criteria used to assess applications for them. The changes were introduced following intensive discussion within the Management Committee during the past several months on the basis of a review initiated in the Membership Committee in August last year. The overall aim has been to streamline the membership structure while taking into account the new regulatory regime resulting from the implementation of the Financial Services and Markets Act (2000) on 1 December 2001. The modified structure builds upon the Association's policy of being inclusive and international in developing the membership but at the same time, ensuring that those admitted have the necessary commitment to contribute to the overall strength of the market.

The major changes are:

- Companies located overseas may now apply for Membership, provided that they are active in the London bullion market and have a branch in the UK which is an 'authorised person' according to the FSA – this term includes firms which have been passported-in from the European Economic Area. All companies applying for Membership will be required to have a senior representative in the UK who can respond to enquiries from the LBMA or the regulators of the bullion market. They will also be required to abide by the spirit as well as the letter of the Inter-Professional Conduct Chapter of the Financial Services Authority's Handbook and of the London market's Non-Investment Products (NIPs) Code.
- The LBMA will consider applications for Market Making status from Member companies whose trading operations are physically located outside the UK as long as they install acceptable communications links to the existing Market Makers and abide by the LBMA guidelines that define Market Maker status.
- Existing arrangements continue whereby Market Makers are required to offer spot, forward and option products in both gold and silver throughout recognised working hours each London business day.
- The existing International Associate category has been replaced by a new category of "Associate". This will widen the base of the International Associateship by allowing companies located both inside and outside the UK that provide services to the London bullion market to become LBMA Associates. Such companies must obtain the same sponsorship as those applying for Membership (namely three letters of support from existing Members, one of which must be a Market Maker).
- The term "Ordinary Member" has been replaced by "Member".

Commenting on the changes, the LBMA Chairman, Martin Stokes, said that: "these pro-active initiatives by the Management Committee have been introduced as a result of discussions over the past year, partly in anticipation of the new regulatory regime. From the outset, our goal has been to be as inclusive as possible – and on a global basis – while ensuring the maintenance of the traditional high standards of the London Bullion Market. The new structure will enable companies involved in the OTC bullion market to participate in it on an equal basis, regardless of location. This will benefit not only the trading community, but also the London Market's worldwide client base".

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