LBMA – The World’s Authority for Precious Metals

LBMA is the pre-eminent standard-setting body for the global wholesale market for precious metals. We have some 150 members based in over 30 countries and they encompass every part of the journey in precious metals production.

Our mission is to add value to the global precious metals industry by setting standards, developing market services and thereby ensuring the highest levels of integrity, transparency and quality.

Leadership | Integrity | Trust
Message from the Chairman

It is a great pleasure to introduce the first Annual Review from LBMA. For this inaugural edition, we decided that it should run in line with the period between our annual conferences, the global market’s most important coming together, in Singapore 2016 and Barcelona in 2017.

A year ago, I stood up in Singapore as Co-Chairman and I now speak to you as the first Independent Chair of this organisation. I have been joined on the Board by another Non-Executive Director, Andy Quinn, and our six elected Market Directors, which gives us both independence as well as strong engagement with the market.

There is no doubt that in these challenging times, there is a necessity for a unified voice across all the constituent elements of our industry. No other organisation comes close to the combined reach and experience of LBMA through our 150 members. Certainly no one firm on its own could accomplish what LBMA is tasked to achieve. We are the World’s Authority for Precious Metals.

Over the past year we have stepped up our engagement with monetary and other regulatory authorities around the world to ensure that the global precious metals market is proactively dealing with their concerns. A key strand of this engagement is our focus on ethical behaviour and transparency, with key initiatives including the Global Precious Metals Code and Responsible Sourcing. All of this is done while maintaining the rigour and excellence of our most important core activity – the maintenance of the Good Delivery Lists.

I would like to thank all concerned for your contributions which enable LBMA to achieve our objectives and I look forward to working with you to secure the future and prosperity of this global industry.

Paul Fisher
LBMA Chairman
By Ruth Crowell
LBMA Chief Executive

Vault Holdings & Market Conduct
This has been a truly momentous year for LBMA with many significant milestones achieved since we last met in Singapore. One of the most important was London revealing its gold hoard worth $298 billion to the world for the first time.

We also published the Global Precious Metal Code and have further enhanced our Responsible Sourcing Programme for all four metals. We have launched Phase One of Trade Reporting for all precious metals trades in Loco London and Loco Zurich. While the Vault Holding statistics were an important step forward, Trade Reporting will mark a new era of transparency for the OTC Market.

From Rock to Ring – Market Engagement
With all these successful transparency and integrity initiatives, it is sometimes difficult to remember that LBMA is a small organisation based in London but charged with responsibility for the integrity of the global OTC precious metals industry. This enormous responsibility will require us to be even more nimble over the coming 12 months. It is one that requires full market engagement. To that end, we are working to further expand our membership to ensure engagement with the entire supply chain. Our current focus is engaging with central banks and mining companies. Next year, we will continue this engagement and expand it to include investors, particularly as the market heads to Boston for the annual conference.

Looking Forward – Transparency & Technology
At next year’s Boston Conference, I look forward to updating you on our progress on Trade Reporting as well as the full expansion of our Responsible Sourcing Programme to all four metals. This will include Silver by the end of 2017 and PGMs in 2018. We are a leader in standards and innovations for Responsible Sourcing both in the precious metals market as well as on the world stage. We are investigating a range of technology opportunities for the precious metals market, focusing on the potential use of blockchain in supply chain due diligence.
As the World’s Authority for Precious Metals, LBMA will be continuing to promote dialogue not only with our members but also with central banks, producers, regulators, policy makers and the media. LBMA has also been closely involved in lobbying efforts in response to all regulations on behalf of our members, particularly to Basel III’s proposed provisions on the Net Stable Funding Ratio requirements. We are currently tracking Brexit developments and raising any market issues with the UK government to mitigate any market disruption.

While here I can only give a snapshot of the work LBMA has undertaken, I would encourage you to read the information in the following pages identifying the endeavours of the executive and our various committees. I would like to take this opportunity to thank my team and the market experts who sit on these panels and who contribute their time and invaluable expertise.

### MEMBERSHIP

Given our role as the World’s Authority for Precious Metals, LBMA Members benefit from being part of a credible and internationally renowned trade association. Full Membership provides direct access to the tax efficiencies provided by the UK’s Terminal Markets Order. Being a member of LBMA ensures that market participants are able to engage directly in all the work of LBMA, including standard setting, consultations, lobbying, forums and market infrastructure development.

We currently have 149 member companies – 85 Members (including 13 Market-Making Members) and 64 Associates located in more than 30 countries. LBMA Good Delivery accreditation is separate to membership. Good Delivery List Refiners benefit substantially by meeting the world’s most respected standards for gold and silver refining.

### New Members since October 2016:

- ABC Bullion (NSW) Pty limited
- Jane Street Global Trading
- Ping An Bank Co, Limited

### New Exchange Affiliate

In July 2017, LBMA announced the new membership category of Exchange Affiliate. Subsequently, ICE Clear US Inc. joined as the first Exchange Affiliate. CME Group and Borsa Istanbul were existing Associates and have been reclassified.
Global Precious Metals Code – May 2017

LBMA launched the Global Precious Metals Code, a set of principles to promote the integrity and effective functioning of the global precious metals market. The Code underwent intensive market consultation and a working group was set up to ensure the Code was fit for purpose, proportional to the market and relevant.

LBMA Trading Members have until June 2018 to implement and attest their adherence to the Code, as part of their membership obligations. Market participants (in particular refiners and industrials) should adopt a proportional approach when implementing the requirements under the Code.

Benchmarks – LBMA Gold, Silver, Platinum and Palladium Prices

2017 saw the silver and gold benchmarks consolidated under one Benchmark Administrator, ICE Benchmark Administrator (IBA). LBMA ran a Request for Proposal process for a new Silver Price administrator, which transitioned smoothly to IBA on 2 October 2017. The LME continues to administer the Platinum and Palladium Prices.

The EU Benchmarks Regulation, which will apply from January 2018, covers a large number of EU Benchmarks, including platinum and palladium. Whilst, the UK Financial Conduct Authority (FCA) already specifically names Gold and Silver as “specified benchmarks”, it remains unclear at this point what exactly the impact of EU regulation will be on all four precious metals.

LBMA-i: Trade Reporting

LBMA has been working with Boat, a wholly owned subsidiary of Cinnober, to launch a trading reporting platform for the precious metals market. All Trading Members of LBMA are expected to report their trades to Boat. LBMA, together with Boat, will analyse this data and publish appropriate information to enhance transparency within the wholesale precious metals market. This is in line with the recommendations that were published under the Fair & Effective Markets Review (FEMR), a joint review carried out by the Bank of England, the FCA and HM Treasury. The primary responsibility for trade reporting remains with Boat, to make sure that the scope remains relevant, that all legal and regulatory requirements are met and that information published does not impinge any confidentiality requirements.
Basel III – Net Stable Funding Ratio (NSFR)

One of the most significant areas of work that LBMA has been involved in has been lobbying efforts in response to Basel III’s proposed provisions on the Net Stable Funding Ratio (NSFR) requirements. LBMA has instructed Norton Rose Fulbright LLP (NRFLLP) to lead the LBMA lobbying efforts in Europe. Together, LBMA and NRFLLP have met with a number of LBMA members and drafted a position paper to send to key stakeholders, which summarises the impact that NSFR would have on the market and presents proposals to address the issues. NSFR provisions are expected to become applicable two years after adoption and therefore are expected to be adopted in Q3 2020.

In summary the position paper outlines that the proposed higher haircut would have a substantial detrimental impact on London Precious Metals Clearing Limited (LPMCL), which would need to reconsider providing the settlement service.

The NSFR proposal will have a negative impact on the wholesale trading of precious metals, both in terms of the higher cost and the likely reduced liquidity in the market. The main thrust of the proposal is that the authorities consider carving out short-term lending in the wholesale precious metals markets as well as exempting the LPMCL model from the rules, therefore helping to mitigate the potential unintended consequences.

Overall

2017 has been another significant year for financial regulatory developments, with industry participants compelled to invest more time and resources to navigate the ever-changing regulatory landscape. This includes EMIR, MiFID II, Market Abuse Directive and REACH. This list is not exhaustive, but certainly demonstrates the challenges and in-depth discussions facing the market. LBMA remains engaged with the market to support, understand and communicate regulatory impacts.

TRADE REPORTING – PROJECT STATUS

Phase One:

67 Trading Members in Scope
Around 5,000 emails delivered/sent
Face-to-face meetings with Members in London
Conference calls with non-London members
6 Technical User Group Meetings
9 Steering Committee Meetings

Connection & Contract Review

19 Members have established access keys to LBMA-i
37 Members either in contract review or have executed the agreement
77% Market Makers connected to LBMA-i

15 Direct participants in the LBMA gold auction
9 Direct participants in the LBMA silver auction
5 Direct participants in the LBMA platinum and palladium auctions
RESPONSIBLE Sourcing

LBMA maintains the highest standard for responsible sourcing for precious metals. The scope of both the gold guidance and silver guidance not only meet but exceed conflict minerals regulations. Vital to the credibility of the standards is the broad scope, which includes anti-money laundering, terrorist financing and human rights abuses, including child labour. The standards set out Management System requirements for precious metals refiners. Refiners are audited annually and are required to publicly report.

Failure to meet LBMA standards has serious commercial implications for Good Delivery Listed Refiners. To date, four refiners and one auditor have been removed from LBMA lists due to failure to meet the requirements of the Responsible Gold Guidance (RGG).

Expanding to Silver & PGMs

The Responsible Silver Guidance becomes mandatory for all LBMA refiners from 1 January 2018. LBMA has drafted the guidance for Platinum and Palladium with the IPA and the LPPM. The launch is scheduled for the end of 2017. The development of these standards was a result of industry demand and involved wide stakeholder consultation.

EU Conflict Minerals & the OECD Alignment Assessment

LBMA has been part of an industry effort to get the EU to formally recognise industry schemes as part of regulation coming into force in 2021. This led to the pilot OECD Alignment Assessment during Q1 2017. The Assessment intends to establish how responsible sourcing programmes compare with the OECD Due Diligence Guidance. The outcomes will be considered by the EU as part of its recognition process.

RGG Version Seven Launched

LBMA launched Version Seven of the Responsible Gold Guidance to address many of the updates and clarifications arising from the OECD Alignment Assessment.

Mutual Recognition Reduction

LBMA has also moved away from full mutual recognition of other industry schemes and has replaced this with the need to undergo an LBMA RGG audit. However elements of the audit can be supported by other industry schemes. Another key development is that LBMA now requests all refiners to provide a list of countries of origin for both mined and recycled material. From 1 January 2018, refiners will also
have to report the quantity of metal being sourced from each jurisdiction, adding another layer of credibility to the maintenance of the Good Delivery Lists.

**Enforcement & Incident Management Process**

In 2017, LBMA took a stronger stance with refiners and auditors alike to reflect the maturity of the programme and the need to demonstrate the strict governance and control framework that LBMA and the industry have worked hard to implement. To provide transparency of this enforcement, LBMA has published our Incident Management Process (see page 19).

### Completed Audits

All GDL Refiners have undergone audits and are compliant with the programme. By the end of 2017, the few remaining refiners that have been on other audit programmes will have gone through an LBMA Responsible Gold audit.

LBMA currently accepts an audit engagement performed in accordance with the internationally recognised auditing standard ISO 19011:2011 or the non-financial assurance standard ISAE 3000.

Almost 70% of refiners chose to undergo an ISAE 3000-style assurance. A breakdown is shown below.

#### Breakdown and number of Audit Risk findings (High, Medium, Low)

<table>
<thead>
<tr>
<th>Year</th>
<th>Low Risk</th>
<th>Medium Risk</th>
<th>High Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>46</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>2016</td>
<td>33</td>
<td>5</td>
<td>0</td>
</tr>
</tbody>
</table>

Definitions of ISO and ISAE standards are detailed below.

**ISO 19011:2011 International Standard**

The ISO 19011:2011 Standard provides guidelines for the independent third-party auditing of management systems.

- It provides guidance on:
  - The principles of auditing;
  - Management of auditing programmes;
  - Conduct of management systems audits;
  - Competence of management systems auditors.

**ISAE 3000 Assurance Engagements International Standard in Assurance Engagements**

ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) is a commonly applied standard for non-financial reporting engagements. It is issued by the International Auditing and Assurance Standards Board (IAASB).

Key characteristics of an ISAE 3000 Assurance Engagement:

- Three-party relationship (between company management, auditor and intended users of the assurance report);
- Designed to enhance the confidence of intended users;
- The subject matter against the suitable criteria;
- Risk assessment, plan and perform assurance procedures to obtain sufficient appropriate evidence to form a conclusion.
**Physical Market Report**

**Raising the Bar – Transparency & Quality**

**Vault Holdings**

On 31 July 2017, the gold and silver stored by the members of LPMCL, the major specialist vault operators and the Bank of England was announced for the first time. The data is now published on a monthly ongoing basis but three months in arrears. The most recent figures are over 241 million ounces of gold and over a billion ounces of silver or 7,514 tonnes and 32,768 tonnes respectively.

**Vault Operators Accreditation Scheme (VOAS)**

Development of VOAS is now complete and undergoing internal and external testing. The e-learning programme will be introduced before the end of 2017. This programme has been developed to ensure proactive development and harmonisation of standards across London vaults.

The e-learning programme will be administered by LBMA and will be externally accredited with international recognition.

**Seventh LBMA Assaying and Refining Conference**

A very successful event took place in London during 19-22 March 2017. Rated by 60% of delegates as “excellent”.

Topics ranged from ‘Sampling Theory’ through ‘Gold in Ancient Times’ to ‘Oxygen Analysis’ and ‘Certified Reference Materials’.

This biennial event will take place in London during March 2019 – Save the Date!
The gold in London is worth over $300 billion. It is considerably more than the reported metal held in Fort Knox Kentucky and is second only to the entire holdings of the US Government.

**HIGHLIGHTS**

**A new company has been incorporated** making LPMCL more transparent and supporting the addition of new entrants.

**A new website and logo** were launched.

New Unallocated and Allocated *Precious Metal Accounts Agreements* were developed.

If gold and silver bars were animals, how many would there be?

<table>
<thead>
<tr>
<th>PANDAS</th>
<th>LIONS</th>
<th>ELEPHANTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>70,320</td>
<td>310,933</td>
<td>1,414</td>
</tr>
<tr>
<td>10,079</td>
<td>37,797</td>
<td>6,251</td>
</tr>
<tr>
<td>44,567</td>
<td>167,126</td>
<td>6,251</td>
</tr>
</tbody>
</table>
Proficiency Testing

The sixth annual Proficiency Testing Scheme included silver for the first time, and 58 LBMA accredited gold and silver refiners participated (33 gold and silver, 13 gold only and 12 silver only). In addition, 10 non-Good Delivery companies were also given the opportunity to participate for the third time, seven of which participated for both gold and silver. This again provided an excellent consensus for the scheme; the more participants there are, the more robust the results.

Proficiency Testing – Metal Purities

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold (%)</td>
<td>995.32</td>
<td>998.25</td>
<td>996.59</td>
<td>999.65</td>
<td>996.30</td>
<td>994.88</td>
</tr>
<tr>
<td>Silver (%)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>999.21</td>
</tr>
</tbody>
</table>

Good Delivery List – Maintenance and Enforcement

To ensure that the Good Delivery Lists remain the globally recognised standard for precious metals, LBMA is rigorously enforcing its rules regarding:

- Submission of annual data – total net worth and refined throughput are tracked on a 3-year moving average with data submitted annually.
- Evidence of bar casting must be demonstrated during Proactive Monitoring for refiners whose bars have not recently been observed in London or similar market.
- Packaging of shipments – reviewing current guidance and communicating with members regarding guidelines as well as health and safety concerns.

Refiner Numbers

We now have 100 Good Delivery List Refiners of which 70 are listed for gold and 81 are listed for silver. Included in these numbers are 52 refiners listed for both gold and silver.

Three refineries have been listed since the Singapore Conference last year.

New Good Delivery Listings for Silver

Hindustan Platinum Pvt Ltd
TCA Spa
Zijin Copper Co Ltd.

Two refineries were also moved back to the former list. In one instance, LBMA removed a US refiner for failure to meet its requirements under the Responsible Gold Guidance.

Number of Good Delivery Refiners

<table>
<thead>
<tr>
<th>City</th>
<th>TOTAL</th>
<th>Gold</th>
<th>Silver</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>99</td>
<td>71</td>
<td>79</td>
</tr>
<tr>
<td>Barcelona</td>
<td>99</td>
<td>70</td>
<td>81</td>
</tr>
</tbody>
</table>

Total include 52 refiners listed for both gold and silver.
Geographical Breakdown

<table>
<thead>
<tr>
<th>Area</th>
<th>Gold and Silver</th>
<th>Gold Only</th>
<th>Silver Only</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Americas</td>
<td>8</td>
<td>2</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>Asia</td>
<td>30</td>
<td>11</td>
<td>21</td>
<td>62</td>
</tr>
<tr>
<td>Europe</td>
<td>12</td>
<td>4</td>
<td>6</td>
<td>22</td>
</tr>
<tr>
<td>Oceania</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Refineries</td>
<td>52</td>
<td>18</td>
<td>29</td>
<td>99</td>
</tr>
<tr>
<td>TOTAL GOLD</td>
<td>70</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL SILVER</td>
<td>81</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Refined Production
GDL Refinery Throughput (tonnes) – Conference to Conference

<table>
<thead>
<tr>
<th></th>
<th>Rome</th>
<th>Lima</th>
<th>Vienna</th>
<th>Singapore</th>
<th>Barcelona</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold (t)</td>
<td>4,619</td>
<td>4,937</td>
<td>4,962</td>
<td>4,969</td>
<td>5,121</td>
</tr>
<tr>
<td>Silver (t)</td>
<td>31,052</td>
<td>30,996</td>
<td>31,787</td>
<td>33,301</td>
<td>32,742</td>
</tr>
</tbody>
</table>

Note: Refined production includes only the refinery’s output that has gone through a refining process. This excludes conversion of bars from one form to another (i.e. 400oz bars to kilobars).

Proactive Monitoring (PAM) Update

The PAM programme reviews the assaying competence of refiners on a three-yearly basis, with two rounds per year. In 2016, we reviewed the current schedule for PAM and have revised it to make it more efficient, not only for the refiners but also for the Approved Supervisors and the administration for the GDL Team. Previously refiners were scheduled for PAM based on their date of listing. Now they are grouped by geographical location. From March 2017, this has meant that there is an annual focus on refiners in two particular geographical locations.

Proactive Monitoring for refiners in China and Australasia is now complete and the current focus is on refiners in the Americas and Russia.
MEMBERS OF THE BOARD & COMMITTEES

The LBMA Board was restructured in 2016 to bring independence and strengthen decision-making capability. This included the appointment of two independent Non-Executive Directors (NEDs), Paul Fisher and Andy Quinn. Paul Fisher, LBMA’s first independent Chair, spent the previous 26 years working for the Bank of England including in his final two years as Deputy Head of the Prudential Regulation Authority. Andy Quinn brings a wealth of experience to the Board and currently serves as a director of Randgold Resources Ltd, the Africa focused FTSE 100 gold mining company, where he chairs the Remuneration Committee and is also a member of the Audit Committee.

The Board was further strengthened by the addition of another executive member, General Counsel, Sakhila Mirza.

The new Board structure has been seamlessly implemented throughout the year and extensive changes have been made to improve governance, including the creation of an Executive Committee with formal terms of reference.

The restructure promotes and evidences LBMA’s core values of trust, integrity and leadership.
NON-EXECUTIVE DIRECTORS

DR PAUL FISHER

LBMA Chairman

After a 10-year academic career, Dr Paul Fisher was a senior figure at the Bank of England for 26 years, retiring at the end of July 2016. He was a member of the Monetary Policy Committee, the interim Financial Policy Committee and the PRA Board. During the Great Financial Crisis, he worked in the Markets Area of the Bank, from March 2009 as Executive Director responsible, amongst other things, for the Bank’s programme of asset purchases for quantitative easing and introducing the Funding for Lending Scheme, as well as routine management of the UK’s foreign currency reserves and the Bank of England’s balance sheet more broadly.

Previously, from 2002, he ran the Bank’s Foreign Exchange Division where he had a constructive relationship with LBMA and developed a working knowledge of the bullion market.

In June 2014, he was appointed Deputy Head of the Prudential Regulation Authority. This period also included a spell of eight months as Executive Director for Insurance Supervision when he also assumed responsibility for co-ordinating the Bank’s work on climate change. He has been writing on matters of financial stability, policy co-ordination and governance, competition policy, supervision and regulation.

Among a range of outside positions, he is a Non-Executive Director at the UK Debt Management Office, a Senior Associate at the Cambridge University Institute for Sustainability Leadership and a visiting professor in economics and finance at Richmond University, the American International University in London.

EXECUTIVE DIRECTORS

RUTH CROWELL

Chief Executive

Ruth Crowell was appointed Chief Executive of LBMA in January 2014. She is responsible for the success and strategic development of LBMA, in partnership with the Chairman and the Board. She is also responsible for maintaining accountability to and the quality of LBMA’s membership and Good Delivery Refiners as well as representing the interests of LBMA in relation to regulators, investors, media and international precious metals markets.

Before being appointed Chief Executive, she spent seven years working at LBMA, initially as Commercial Director and then as Deputy Chief Executive, where she acted as the main lead on Governmental Affairs. She was also responsible for LBMA’s work on supply chain due diligence, with particular regard to the creation and implementation of LBMA’s Responsible Gold Guidance. She has represented LBMA at industry, governmental and multi-stakeholder regulatory forums.

She continues to serve as Vice Chair of the OECD Multi-Stakeholder Governance Group for Responsible Minerals. As Commercial Director, she oversaw the significant expansion of the LBMA annual conference, LBMA’s quarterly publication the Alchemist and the LBMA website.

Prior to joining LBMA, she worked in bank finance and US corporate law at the law firms of White & Case and Norton Rose, and also acted as a monitor at the UN Commission on Human Rights in Geneva. She has an MSc in History of International Relations from the London School of Economics and a degree in English Literature from Kenyon College in Ohio.

MARKET DIRECTORS

GRANT ANGWIN

President, Asahi Refining North America and LBMA Vice Chairman

Grant Angwin began his career at Johnson Matthey some 30 years ago as an Analytical Chemist at the company’s PGM refinery in the UK. He moved from the PGM refinery to the gold and silver business in Royston where he held various management positions until the closure of the Royston gold refinery in 2004. He relocated to the USA in 2005 where he has held senior management positions within the Johnson Matthey Gold NA division and became responsible for the division in 2011.

SAKHILA MIRZA

General Counsel

In her role as General Counsel of LBMA, Sakhila Mirza has been involved in and taken the lead on a number of projects of LBMA. These have included, but are not limited to: working closely with the CEO on the strategic direction of LBMA; leading the implementation of LBMA’s trade reporting platform; transitioning all of the four precious metals benchmarks onto electronic platforms by working with the service providers as well as regulators; and lobbying on behalf of members on a number of issues, for example, EU Conflict Minerals regulation and Net Stable Funding Ratio amongst other regulations.

In addition to this, Sakhila takes responsibility for all the legal and regulatory work of LBMA, as well as setting policies she led the draft and launch of the Precious Metals Code. She has also focused on meeting and building relationships with governmental officials and regulators, and continues to educate all such stakeholders on the dynamics of the bullion market and all the work undertaken by LBMA.

Prior to joining LBMA, Sakhila spent most of her career working in the energy and commodities industry. At Hess Corporation and BP, she dealt with a range of compliance, legal and regulatory matters impacting commodities trading.

Sakhila is a qualified lawyer in England and Wales and studied Law at The London School of Economics and Political Sciences.

ANDREW QUINN

Non-Executive Director

Andrew Quinn currently serves as the Senior Independent Director on the board of Randgold Resources Ltd, the Africa focused FTSE 100 gold mining company. He has served on the board since 2011 where he chairs the Remuneration Committee and is also a member of the Audit Committee.

A plus 40 year veteran of the mining industry, Andy graduated with a BSc (Hons) in Mineral Exploitation (Mining Engineering) from Cardiff University in 1975 and began his career in Anglo American’s gold division in South Africa where he held various management and technical positions. He also worked briefly for Greenbushes Tin in Australia before joining the Mining Journal in 1982 as Editor of its gold publications. In 1984 he joined James Capel (later HSBC Investment Banking), ultimately heading its mining corporate finance activities for six years from late 1989, before joining the Canadian Imperial Bank of Commerce (CIBC) in 1996.

Andy retired at the end of 2011 from his position as CIBC’s head of mining investment banking for Europe and Africa after 15 years in the role. He is a Member of the Institute of Materials, Minerals and Mining.

LBMA ANNUAL REVIEW 15
In 2015, the Gold NA division of Johnson Matthey was sold to Asahi Holdings, Inc. of Japan. Following the creation of Asahi Refining, Grant left Johnson Matthey and assumed the role President Asahi Refining North America. He joined the Board of LBMA in 2011 and was elected Chairman from 2014 to 2016 when he assumed the role Vice Chairman. Grant is a member of the ICE Benchmark Precious Metals Oversight Committee, a member of the Shanghai Gold Exchange International Advisory Panel and a Director of the Silver Institute.

MEHDI BARKHORDAR
Vice Chairman, MKS PAMP Group

Mehdi Barkhordar graduated from the Wharton School, University of Pennsylvania with a Bachelor of Science Degree in Finance and Decision Sciences. In 1983, he joined the MKS PAMP Group, which includes MKS (Switzerland) S.A., a leading precious metals and financial services company, and PAMP S.A., one of the world’s foremost precious metals refiners and fabricators. From central offices in Switzerland, the MKS PAMP Group operates globally through an international network of branch offices with locations in 14 countries and covering all five continents. Active throughout the precious metals industry, he is widely respected for his comprehensive trading, marketing and fabrication expertise. He has been instrumental in significantly broadening the Group’s reach, range of services and productivity over the course of 30 years. Additionally, he has contributed greatly to widening perceptions of the value of precious metals worldwide through innovative product and marketing concepts. And, throughout his career, he has been one of the industry’s most visible proponents of products and services quality standards, best practices and ethics, as well as environmental sustainability.

HITOSHI KOSAI

A graduate of Shizuoka University, majoring in Inorganic Chemistry, Hitoshi Kosai’s main roles since 2000 have been providing advice to the Management at Tanaka Holdings on international precious metals issues and representing Tanaka on a number of international precious metal organisations such as LBMA, LPPM, WGC, IPA, IPMI, PMRC, OECD, etc. This has involved extensive travel throughout Europe and North America. Hitoshi has participated in almost all meetings of LBMA and LPPM Referees Groups in person and with one exception (Mumbai) has attended every LBMA conference.

In 2002, Hitoshi arranged for Tanaka to provide LBMA (and the other new members of the referees group) with the technique for producing gold reference samples. Also, as a member of the LBMA Referees Group, he has contributed to the technical development of the GD System including the introduction of Proactive Monitoring in 2004 and the introduction of Responsible Gold Guidance.

Since its establishment in 2008, Hitoshi has been a member of LBMA’s Reference Material Steering Committee. Tanaka produced LBMA’s first Certified Reference Materials in 2009 and has recently been appointed to produce a new batch of silver reference materials.

Since 2010, Hitoshi has provided advice on LBMA’s gold assaying Proficiency Testing Scheme, which is now carried out annually, and since 2004, has acted as advisor for LBMA’s Assaying and Refining Conference.

SID TIPPLES
Managing Director, J.P. Morgan’s Global Base and Precious Metals Trading Business

Sid Tipples is a Managing Director at J.P. Morgan and co-head of the firm’s global bullion and base metals business. J.P. Morgan is a leading participant in the global bullion market, providing customers with comprehensive services across custody, London clearing, physical transactions, financing and derivatives activity. Sid manages all physical, custody, clearing and client financing activity, and J.P. Morgan’s Commodity principal investment group.

Sid joined J.P. Morgan in 2010 when it acquired the RBS Sempra commodities business where he was Chief Operating Officer of its global metals business. He began his career in the commodities markets when he worked at MG Plc in 2000. Before working in commodities, Sid was a Treasury and Corporate Finance Manager for a significant UK Plc. He is a qualified Chartered Accountant and has an M.A. from Cambridge University.

Sid was elected to the LBMA Management Committee at the AGM in July 2015 and is also a member of the LME User Committee.

RAJ KUMAR
Managing Director, ICBC Standard Bank Plc

Raj Kumar joined ICBC Standard Bank Plc as a Managing Director in September 2015. ICBC Standard Bank is a leading financial markets and commodities bank that benefits from its unique Chinese and African parentage. Raj Heads up the Precious Metals Strategic Business Development, Clearing and Vaulting as well as eCommerce. Raj is also a Director of London Precious Metals Clearing Limited (LPMCL).

Prior to joining ICBCS, Raj held senior positions over 11 years at Deutsche Bank including the Global Head of Clearing and Vaulting, Head of Precious Sales and Physical Trading, Raj also represented DB on the LBMA Physical Committee and was a Director of LPMCL. Prior to DB Raj worked at Goldman Sachs for 11 years supporting the Metals and Commodities business in various roles.

STEVEN LOWE
Managing Director, ScotiaBank – ScotiaMocatta

Steve Lowe is a Managing Director and the Global Co-Head of ScotiaMocatta, the marketing name of Scotiabank’s metals trading business. ScotiaMocatta is one of the largest, most fully integrated global bullion franchisées. Steve arrived in London when Scotiabank purchased the Mocatta business in 1997. Besides his ScotiaMocatta role, Steve is a board member of Scotiabank Europe plc as well as a member of ScotiaBank London Branch’s Executive Committee.

Prior to his arrival in London, he worked in Toronto covering a portfolio of North American mining companies with respect to all credit products, including debt, project finance and metal derivative transactions.

Steve has an MBA from the Ivey School of Business and a Bachelor of Commerce degree from Queen’s University.

He has been a member of LBMA’s Management Committee since 2008 – including five years as Vice Chair and was a member of the PAC for five years.
At the heart of LBMA is the expertise and dedication of a select group of staff, collectively referred to as the Executive.
Financial Overview

LBMA is a Group of two companies: LBMA (the Association) and its subsidiary, Precious Metals Prices Limited (PMPL). This year’s audit of the 2016 accounts went smoothly with LBMA delivering a post-taxation surplus of £167,756 and PMPL returning a surplus of £74,376. The accounts have been approved and are now in the public domain at Companies House.

Key drivers in financial performance this year have included the addition of Management Services charges from LPMCL in respect of support services provided by LBMA under the Memorandum of Understanding and the terms of a new Service Level Agreement. The decision to buy Singapore dollars for costs associated with the annual conference in advance of the event and the Brexit Referendum proved beneficial, as did the revaluation on foreign currency reserves held in support of Good Delivery List activities.

This stable financial position has allowed LBMA to give more value back to our members through stable fees and subscriptions, and ‘free of charge’ events. It has also facilitated much needed investment in the LBMA business infrastructure, building resilience and the capability to meet the ever-increasing needs of the market. A new Lease has been negotiated and implemented, and an office refurbishment project has been completed to provide space for the growing LBMA Team. The technology infrastructure has been overhauled to provide 21st century IT capability, and a Customer Relationship Management (CRM) system is close to completion (due for launch in 2018) and will deliver much improved member engagement and business process efficiency. Improvements in financial management and forecasting have enabled LBMA to look much further forward in our planning. In turn, this has provided the opportunity to deliver the right combination of value for money and quality in our high-cost global activities on behalf of and in support of the Market.

Notwithstanding the freeze in fees and subscriptions from last year and despite escalating costs, the forecast for 2017 remains positive. That said, it is provisionally anticipated that margins will be tighter than in 2016. Looking forward to 2018 and beyond, LBMA is already well advanced in our planning for major events and has an emerging programme of global engagement and strategic market development initiatives. Inevitably this will be achieved through careful review of the traditional revenue sources coupled with the judicious exploitation of the financial opportunity represented by PMPL.

In summary, LBMA’s financial position is sound and there is much to be prepared for and delivered in the coming years. At the heart of planning will be robust management, targeting value for money and quality as LBMA pursues its Vision and delivers its Mission.
**DUE DILIGENCE STATEMENT**

LBMA considers its commitment to due diligence as a high priority and adheres to following a robust due diligence process for both current and potential new Members and/or Good Delivery List (GDL) Refiners. LBMA has a Compliance Panel which reviews any issues that arise from the due diligence process. Ultimately, the Compliance Panel escalates to the Executive Committee, which makes a final decision on all due diligence related issues, following a review at Membership Committee.

There is a thorough due diligence policy in place, which details the process, outlines responsibilities and accountabilities, as well as laying out a number of factors that should be considered when reviewing an application. These include, but are not limited to: money laundering, conflict financing, terrorism financing, serious human rights abuse, corruption and sanctions violation.

LBMA conducts third-party database searches on all organisations and all associated persons with significant control over the company as part of the on-boarding process. It is important that when reviewing all current and new applicants, the precious metals knowledge and industry relevant reports are taken into consideration. This, for example, includes information that market practitioners might have, or NGO reports and/or any other market-specific data source. Together, all such searches will help determine whether the applicant is of high or low risk, which will then help to determine firstly the approval and secondly the frequency of review.

This year, we have introduced cyclical reviews on all members and GDL Refiners. These reviews are risk based and provide LBMA with up-to-date market intelligence aimed at protecting the integrity of the Membership and GDL lists.

**INCIDENT MANAGEMENT**

Any incidents or issues that may put the credibility of the Good Delivery List and the wholesale Bullion Market in doubt are treated very seriously. LBMA has a procedure that enables it to handle such incidents and issues in a systematic way to maintain the credibility of the GDL and particularly the Responsible Sourcing Programme. This procedure is invoked in response to a particular stimulus of a reputational nature, including any incident that affects the credibility of the GDL.

This is an iterative process, particularly in situations where new information is produced or the situation escalates or deteriorates. Any public disclosure by LBMA must be approved appropriately and disseminated through correct channels.

If at any point in the procedure it is established that the issue could relate to Anti-Money Laundering (AML), step 6 of the Refiner Contact may be omitted and the relevant specific action taken. In certain circumstances Refiner Contact could be made a lot sooner.

**Step 8 – Actions/Sanctions**

Sanctions could include suspension subject to resolution or being ‘Moved to the Former List’ with immediate effect.

For example, pursuant to an active review under this Incident Management Process, Elemetal Refining, LLC was moved to the Gold and Silver Former Lists, effective 31 March 2017.