



OECD Gold Working Group Meeting

Responsible Gold

The Role of the LBMA

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Paris, 18th November, 2011



Scope

- LBMA Responsible Gold Guidance
- The Role of the LBMA
 - The London Bullion Market
 - Good Delivery List



LBMA Responsible Gold Guidance – The purpose

- To formalise and consolidate existing high standards of due diligence amongst all LBMA Good Delivery Refiners.
- To provide a framework for carrying out due diligence which is practicable for the refinery and credible for the outside world.
- To ensure all LBMA refiners use reasonable and effective due diligence to ensure that all of their feedstock is free from metal that had financed conflict or been used for money laundering or terrorist financing.



LBMA Responsible Gold Guidance – An Overview

- Put together by LBMA GD refiners with experience of operating due diligence systems
- Based on the 5-step framework in the OECD guidance on conflict minerals plus existing Know Your Customer Anti-Money Laundering Regulations
- Risk-based: Higher risk = more due diligence is needed (and vice versa)
- Compliance required for maintenance of GD Accreditation
- Section on artisanal mining is still to be written (assistance from experts welcomed, OECD, ngos, etc)



LBMA Responsible Gold Guidance – Structure

Structure Based on OECD Due Diligence Guidance - Annex I

5-Step Framework for Risk-Based Due Diligence in the Mineral Supply Chain

- **Step 1:** Set up strong management systems
- **Step 2:** Identify and assess risks in the supply chain
- **Step 3:** Design and implement a strategy to respond to identified risks
- **Step 4:** Arrange an independent audit of the due diligence
- **Step 5:** Publish report on policy and actions



LBMA Responsible Gold Guidance – An Overview

- **Adoption Timetable:**

2011:

- July – Guidance developed by the LBMA Referees, Regulatory Affairs Committee and Physical Committee
- Aug – Responsible Gold Guidance issued to Refiners for feedback
- Sept – Meeting in Montreal with Refiners to discuss guidance
- 25 Nov – Meeting with Russian Refiners
- 30 Nov– OECD Gold Supplement to be published
- 2 Dec – Meeting with Chinese Refiners
- 5 Dec – Meeting with Japanese Refiners
- 15 Dec – Final LBMA Responsible Gold Guidance to be issued

2012:

- 1 Jan 2012 – LBMA Guidance becomes an official requirement of Good Delivery



LBMA Responsible Gold Guidance – An Overview

- **Implementation Timetable:**

- 13 Jan 2012 – Deadline for LBMA GD Gold Refiners to indicate they accept and implement the guidelines.
- 31 Dec* 2012 – First Voluntary** GD Refiner Audit Reports for 2011 Due
- 31 Dec* 2013 – First Mandatory GD Refiner Audit Reports for 2012 Due

**For some Refiners this may be 30 April, as an LBMA Audit Report will be due no later than one year after the closing of the refiner's financial books.*

***While an audit report for a refiner's 2011 production is not mandatory, it is encouraged especially for refiners who need to meet Dodd-Frank requirements.*



LBMA Role

A Trade Association (not an exchange)

- Formed in 1987
- Maintaining or Enhancing the efficiency of the London Market for Gold and Silver Bullion
 - Metal Quality – The Good Delivery System
 - Probity - Membership
- Contacts with Regulators and government agencies



Key Elements of the London Bullion Market

- Focused on the Loco London Contract ...
....but with a global membership and client base
- Principal to Principal trading
- Q1 2011: Daily average gold turnover \$240 billion
- LBMA Good Delivery List indicates which bars and refiners are acceptable in the London Market.



London Vaulting

- Nine recognised Custodians (6 clearers, 2 shippers & BoE)
- Six vaulting companies
- Security
- Handling (weighing, storing, packing, shipping)
- Quality monitoring (gate keeper role)
- Virtually all in the form of Good Delivery bars





LBMA Good Delivery List

- List of refiners and their bars which are accepted in London
- Covers only large bars (~400 tr oz or ~12.5 kg for gold)
- The first List published by the London Gold Market was in 1934
- Since 1987 the List has been maintained by the LBMA using objective criteria for accreditation (and continued listing)
- The List is used by many markets for defining deliverable brands



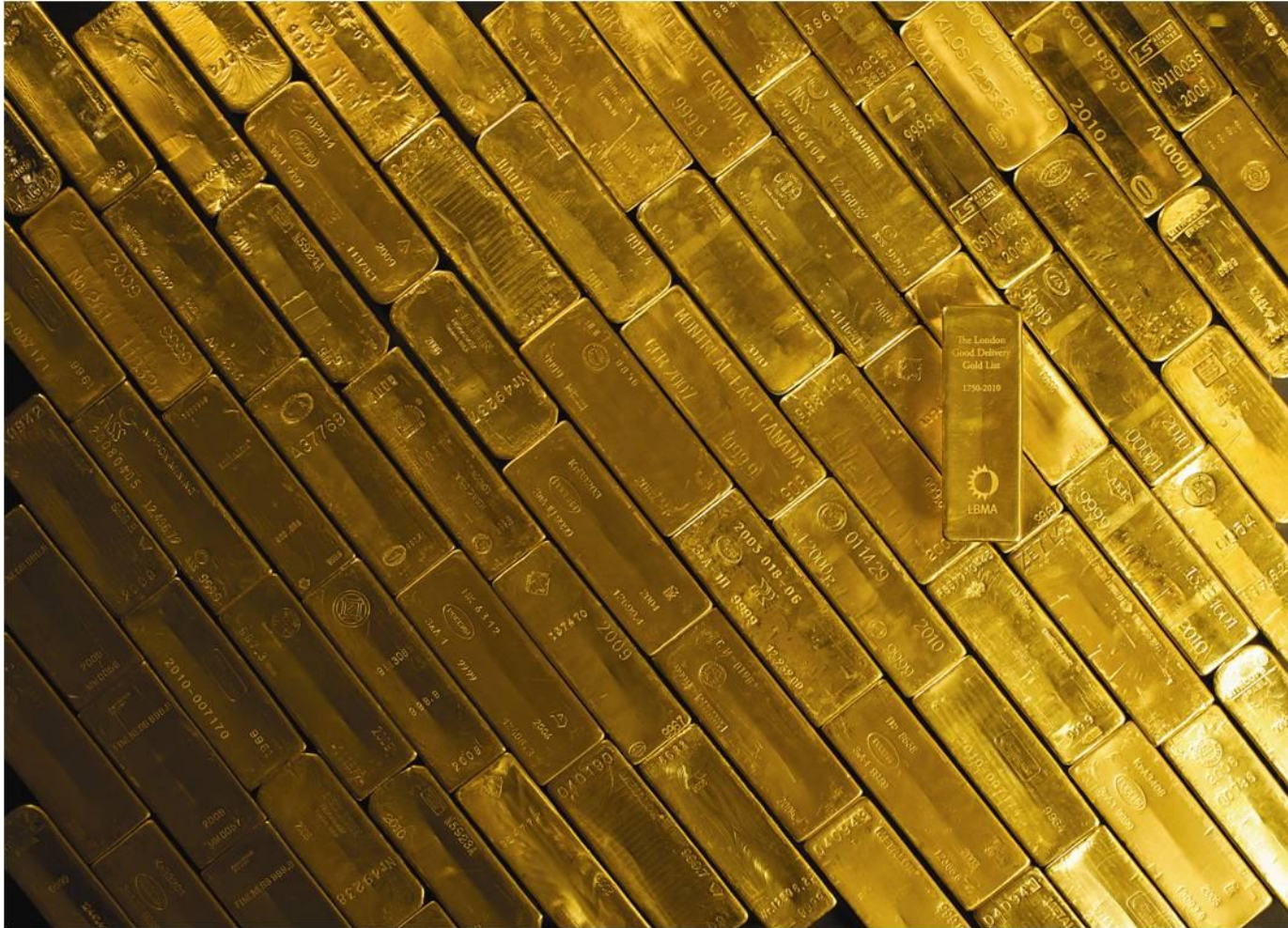


Good Delivery Accreditation the International Dimension

- The LBMA List is used by a number of exchanges to define their locally accepted brands, including:
 - NYSE-Liffe
 - Tocom
 - Istanbul Gold Exchange
 - Shanghai Futures Exchange
 - Shanghai Gold Exchange
 - Hong Kong Mercantile Exchange



The History of the London Good Delivery Gold List 1750-2010

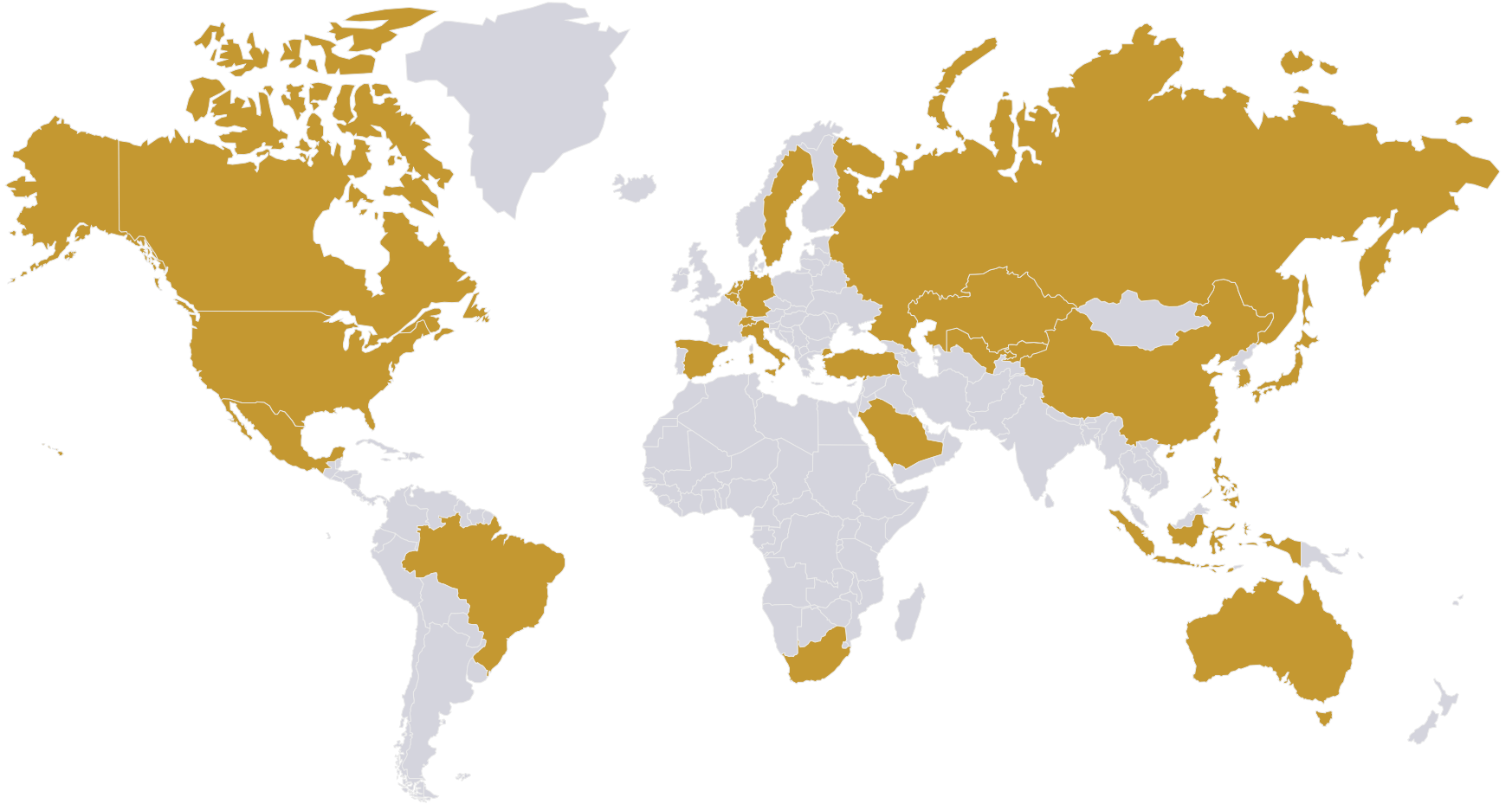




Good Delivery Gold Bars in London in 2011



Gold Good Delivery Refiners





Good Delivery Refiners in 2011

Region	Gold Refineries	Silver Refineries
Africa	1	1
Americas	8	9
Asia	38	41
Europe	13	18
Oceania	1	2
Refineries	61	71
Countries	26	24



Applications for Listing: Non-technical Criteria

- Tangible Net worth: £15 million
- In business for five years
- Information on ownership and directors (KYC)
- Refining history of three years
- Minimum refined production (10 tonnes of gold per year)



Applications for Listing Technical Assessment

- Assay test across the whole of the Good Delivery range
 - 995-999.9 for gold
- Assaying of 24 Reference Samples
- Inspection of 10 bars in London
- Comprehensive testing of the bars by two referees



Proactive Monitoring

- Introduced in 2004
- Technical Testing of Good Delivery Refineries
- once every three years
- Annual monitoring of Tangible Net Worth and production
- Overseen by LBMA Physical Committee



Why the LBMA?

International Standard

- The London Bullion Market is physically based in London...
...but with an international membership and a global client base
- The LBMA Good Delivery List is used not only in London but by exchanges worldwide as the defacto international standard for gold refiners.



Why the LBMA?

- Recognised worldwide as setting the standard for refined gold bars.
- Currently pro-actively monitoring gold refiners' financial standing as well as their ability to melt and assay Good Delivery gold.
- The LBMA's Physical Committee has reviewed gold refiners for 24 years.
- LBMA Responsible Gold Guidance is an extension of proven methods of refiner accreditation and ongoing monitoring.



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