



OECD Working Group on Gold Meeting

Responsible Gold

The Role of the LBMA

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Scope

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



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

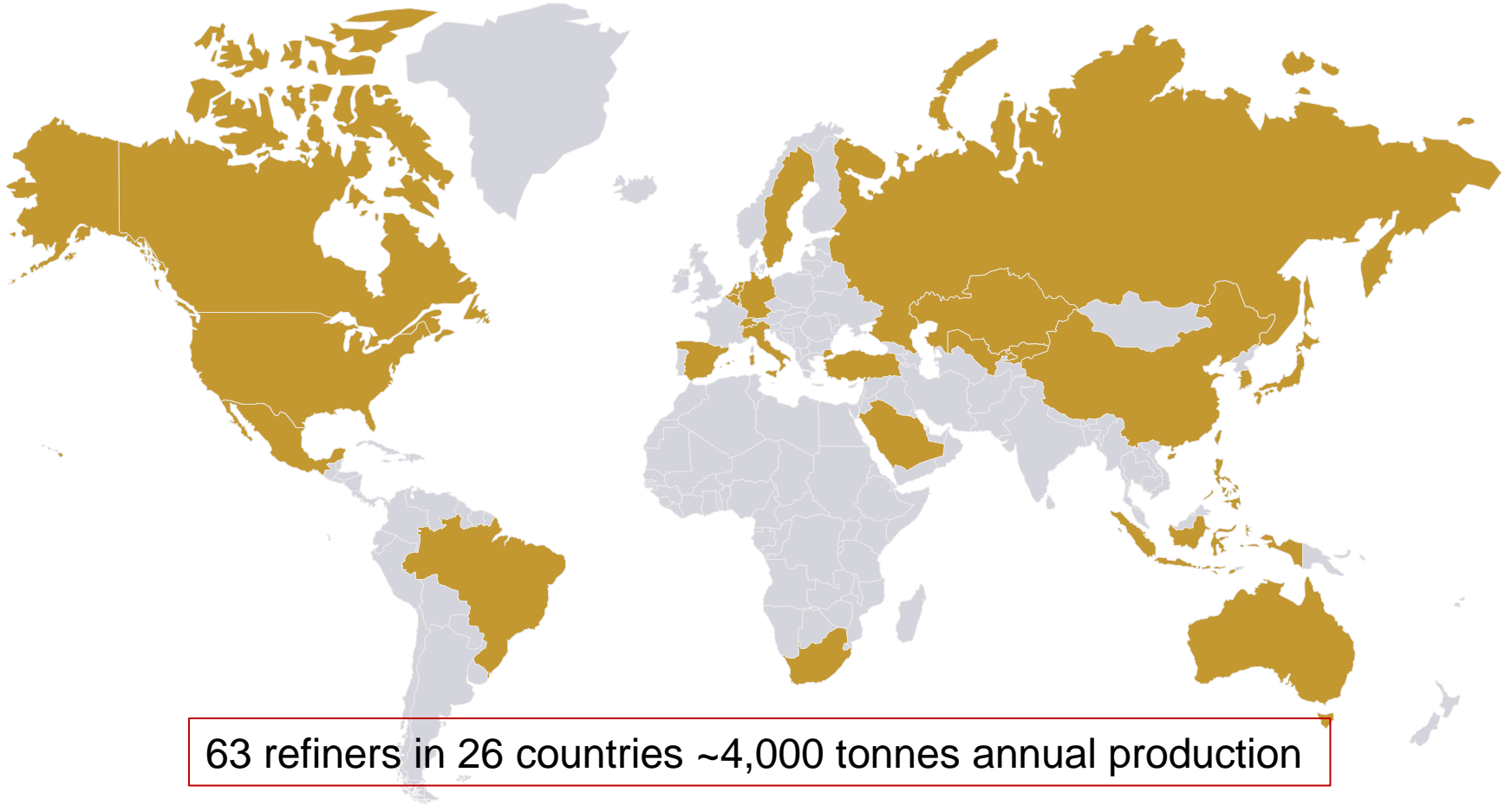


Key Elements of the London Bullion Market

- Focused on the Loco London Contract ...
....but with a global membership and client base
- Principal to Principal trading
- Q1 2011: Daily average gold turnover > \$200 billion
- LBMA Good Delivery List indicates which bars and refiners are acceptable in the London Market.



Gold Good Delivery Refiners





Good Delivery Gold Bars in London in 2011



There are ~720,000 bars in the London vaults, worth a total of ~US\$500 billion



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



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



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



LBMA Responsible Gold Guidance – An Overview

- **Audit Implementation Timetable:**

- **Jan 2012** – LBMA Responsible Gold Guidance became a formal requirement of Good Delivery
- Since then all 63 refiners have accepted the guidance and begun preparing for an audit of their 2012 production
- **July 2012** – LBMA Audit Guidance will be finalised.
- **31 Dec* 2013** – First Mandatory GD Refiner Audit Reports for 2012 Due

Timeline gives refiners two years to produce an audit summary report.

This audit summary report will be reviewed by the LBMA Physical Committee.

**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.*



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.



Phase II – Implementation for Bullion Banks

- Develop Best Practice guidance for LBMA Members which will implement the OECD Guidance
- Encourage LBMA members to adopt the OECD Guidance
- Encourage Exchanges around the world to make Responsible sourcing of gold a requirement for listing, as the LBMA has done.

Implementing OECD DD Step Two - Proposed Bullion Bank Process – Example KYC policy

Client Identification

Principle operating address

One of the following:

- Business information service e.g. Bankers Almanac, Moodys, Swift, Companies House, One source
- Independent website
- Written confirmation from a firm of lawyers or accountants
- Annual audited report and accounts (dated within last 2 years)
- Certificate of incorporation

Registered address

One of the following:

- Business information service e.g. Bankers Almanac, Moodys, Swift, Companies House, One source
- Independent website
- Written confirmation from a firm of lawyers or accountants
- Annual audited report and accounts (dated within last 2 years)

Verify full legal name

One of the following:

- Certificate of Incorporation / Certificate of Legal Validity
- Annual audited report and accounts (dated within last 2 years)
- Written confirmation from a firm of lawyers or accountants
- Independent website
- Business information service e.g. Bankers Almanac, Moodys, Swift, Companies House, One source

Identify Beneficial Owners

Identify ownership above Threshold up to a natural person or listed/regulated on the approved list

One of the following:

- Business information service e.g. Bankers Almanac, Moodys, Swift, Companies House, One source
- Independent website
- Share register
- Annual audited report and accounts (dated within last 2 years)
- Written confirmation from a firm of lawyers or accountants

Identify Controllers

List of Directors (or equivalent)

One of the following:

- Independent website
- Written confirmation from a firm of lawyers or accountants
- Annual audited report and accounts (dated within last 2 years)
- Board resolution
- Business information service e.g. Bankers Almanac, Moodys, Companies House, One source
- Directors Register
- Entry in Independent Company Register

Legal formation

Evidence of legal establishment / formation

One of the following:

- Business information service e.g. Bankers Almanac, Moodys, Companies House, One source
- Certificate of Incorporation / Certificate of Legal Validity

Screening and Search Results

World-check search on Client

results to be copied to file

Worldcheck Search on Ultimate Beneficial Owners

results to be copied to file

Worldcheck Search on list of Directors (or equivalent)

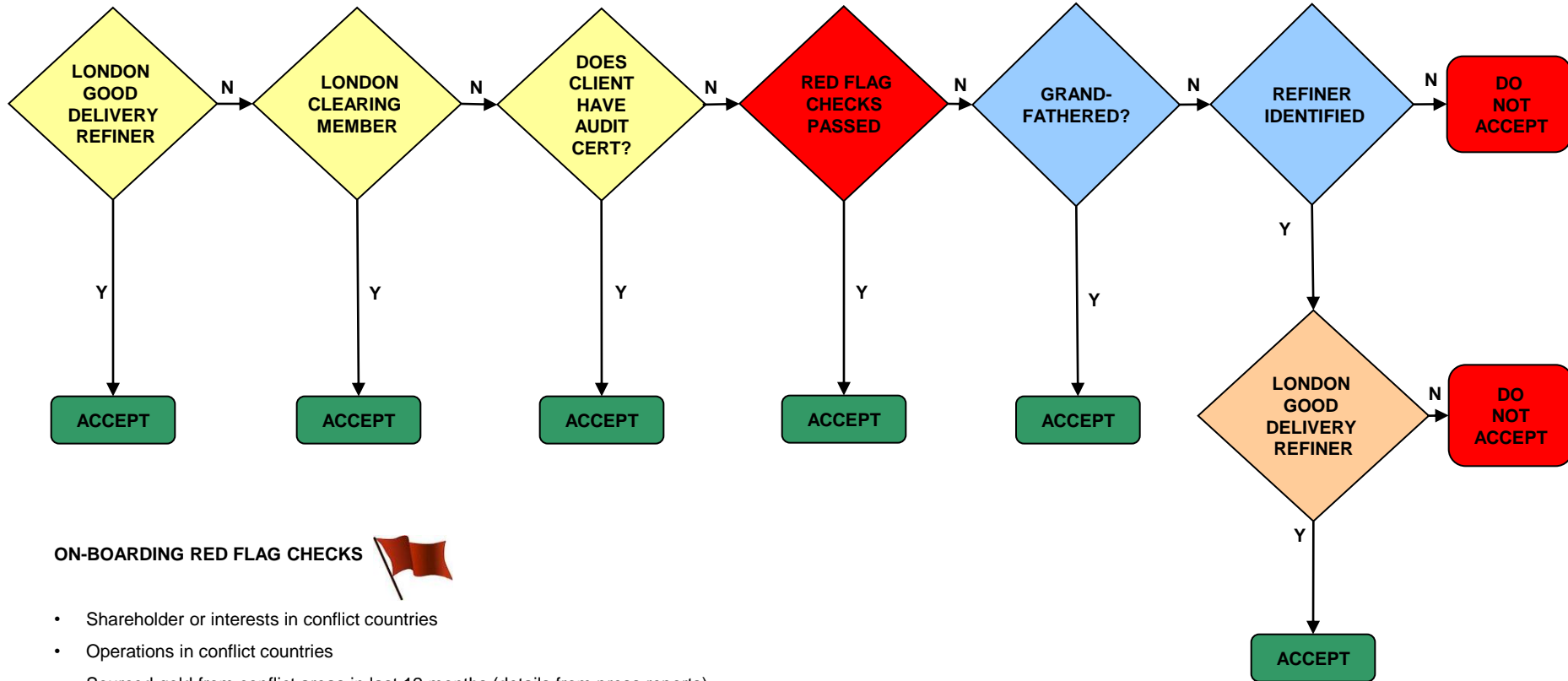
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OECD Red Flags - NEW

Check if the following exist:

- Shareholder or interests in conflict countries
- Operations in conflict countries
- Sourced gold from conflict areas in last 12 months (details from press reports)

Implementing OECD DD Step Two - Proposed Bullion Bank Process





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