



**LBMA**

**The London Bullion Market Association**

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# Introduction

## The London Bullion Market Association

**The LBMA is the international trade association that represents the market for gold and silver bullion, which is centred in London but has a global client base, including the majority of the central banks that hold gold, private sector investors, mining companies, producers, refiners and fabricators. The current membership includes 140 companies which are either actively involved in the loco London bullion market or which provide services to the market, such as supervising and assaying.**

The LBMA was formally incorporated in 1987 at the behest of the Bank of England, which was the bullion market's regulator at that time, to take over the roles previously played by two separate organisations, the London Gold Market and London Silver Market, whose origins go back to the mid-nineteenth century.

Since the passage of the Financial Services and Markets Act 2000, spot and forward trading in bullion in the UK have not been regulated activities. As a result of the passage of the Financial Markets Act 2012, regulation of the UK financial markets has been significantly changed. The Prudential Regulation Authority ("PRA") at the Bank of England is now responsible for prudential banking regulation of most of the financial firms that are active in the bullion market. The PRA will work closely with the Financial Conduct Authority (FCA), which is responsible for consumer and competition issues. Trading in spot, forwards and wholesale deposits in the bullion market is underpinned by the Non-Investment Products (NIPs) Code, which has been drawn up by participants in the UK foreign exchange, money and bullion markets. The Code can be downloaded from the Bank of England's website at:

[www.bankofengland.co.uk/markets/documents/forex/fxjsc/nipscode1111.pdf](http://www.bankofengland.co.uk/markets/documents/forex/fxjsc/nipscode1111.pdf)

The LBMA's membership encompasses banks, dealers, fabricators, refiners, shippers and brokers that are actively involved in the London bullion market. There are two categories of full membership: Market-Making and Ordinary. Although originally open only to UK-based companies, full membership can now be granted to companies in other countries as long as they are active in the London market. In January 2000, the Association widened its membership by introducing an Associate category, which allows companies that have strong ties to the London market to become part of the LBMA. The Association's 75 Full Members and 65 Associates are located in 21 countries.

The ongoing work of the Association encompasses many areas, among them refining standards, trading documentation and the fostering of good trading practices.

- In the refining industry, the LBMA Good Delivery List is now widely recognized as representing the de facto global standard for the quality of gold and silver bars, in large part thanks to the stringent criteria that an applicant must satisfy before being accredited. In 2004, the LBMA introduced a system of regular proactive monitoring of refiners on the List, an important initiative which further enhanced the reputation of the List and the refiners on it. The List is used by many precious metals exchanges around the world to define in whole or in part the refiners whose gold and silver bars are accepted in their own markets.
- The LBMA and the London Platinum and Palladium Market (LPPM) have produced a joint publication, *A Guide to the London Precious Metals Market* which describes the products that are available in the London precious metal markets and how these can be used by market participants. This can be downloaded from the LBMA website and printed copies can be obtained upon request from the LBMA Executive.

The LBMA's annual precious metals conference has since 2000 been the premier professional forum for the world's precious metals markets. Following the conference held in Hong Kong, China in November 2012, the next event in the series will take place in Rome during the period 29 September - 1 October 2013.

The *Alchemist*, the LBMA's quarterly journal, contains articles of general interest to all participants in, and observers of, the bullion market. It is available free of charge from the LBMA Executive.

The LBMA's website - [www.lbma.org.uk](http://www.lbma.org.uk) - contains a range of statistics and other information about the bullion market.

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# The LBMA Good Delivery List

In the refining industry, the LBMA Good Delivery List includes the world's pre-eminent refiners of gold and silver, located in 29 countries. The List is widely recognized as the de facto standard for the quality of gold and silver market bars and is used by precious metal exchanges around the world to define in whole or in part the refiners whose gold and silver bars are accepted in their own markets.

Since its foundation in 1987, the LBMA has maintained the Good Delivery List of gold and silver refiners which had previously been managed by the London Gold Market and the London Silver Market respectively. The List includes the refiners which have met the LBMA's requirements for assaying accuracy and bar quality and whose large bars are therefore acceptable in the London vaults operated by a number of LBMA members.

Maintenance of the Good Delivery List, including the accreditation of new refiners and the regular retesting of listed refiners, is one of the core activities of the LBMA. This activity is carried out by a full-time, professional Executive and is overseen by the LBMA Physical Committee, which consists of representatives of members of the Association involved in the vaulting and clearing of bullion.

In order to be listed, a refiner must first satisfy the Physical Committee as to its standing, ownership, net worth and operating history. In particular, it must have produced at least 10 tonnes of refined gold or 30 tonnes refined silver annually for a period of at least three years before it can be considered for technical assessment. Once an application is accepted for consideration, the first stage of technical testing involves an assessment of the refinery's assaying ability. This is done by the LBMA sending it a set of reference samples that the refiner's laboratory must assay within the exacting criteria laid down by the LBMA. If the assaying test is passed, the refiner is then required to submit bars for inspection by representatives of the London market and then technical testing by two of the LBMA's five Good Delivery Referees (which are located in Japan, South Africa and Switzerland). The Good Delivery Rules, which describe how applications are processed, also contain full details of bar specifications, and the inspection, weighing and packing procedures practised in the London vaults. The current geographical make-up of the List is shown below.

Area	Gold	Silver	Total
Africa	1	1	1
Americas	8	8	10
Asia	40	44	54
Europe	15	19	22
Oceania	1	2	2
<b>Refineries</b>	<b>65</b>	<b>74</b>	<b>89</b>
<b>Countries</b>	<b>26</b>	<b>24</b>	<b>29</b>

*“ Maintenance of the Good Delivery List, including the accreditation of new refiners and the regular retesting of listed refiners, is one of the core activities of the LBMA. ”*

Total refined gold production by the refiners on the List was more than 4,000 tonnes in 2009, well above world mine production of 2,611 tonnes. For silver, refined production by listed refiners of 22,800 tonnes was marginally greater than the 22,342 tonnes of mine production in the same year.

When a refiner ceases to produce the minimum quantities of refined metal required by the LBMA or if it fails to satisfy the Good Delivery criteria in any other ways, it will be transferred to the Former List.

In addition, the Former List includes:

- The names of companies that formerly operated Good Delivery refiners but which no longer exist, e.g. as a result of merger, takeover or closure.
- Description of the acceptable bars which were formerly produced but which have been replaced by new bars with different markings or dimensions.

In all these cases, Good Delivery bars produced before the transfer to the Former List are still considered Good Delivery in London.

In 2004, the LBMA introduced a system of regular proactive monitoring of refiners on the List, an important initiative which further enhanced the reputation of the List and the refiners on it. A description of how the proactive monitoring system works is described in the Good Delivery Rules.

# The LBMA Responsible Gold Guidance

The Responsible Gold Guidance is a formal requirement of Good Delivery for all LBMA accredited gold refiners. Since January 2012, all sixty-five of the world's leading refiners listed by the LBMA have accepted the Guidance in principle and begun implementation. An auditor report certifying that a refiner is complying with the guidance is mandatory for a refiner to remain on the London Good Delivery List. Maintaining Good Delivery status is vital for a refiner to be able to deliver its bars to the London market and to the many exchanges around the world that use the List.

The LBMA has taken its role as accreditor of the world's gold refiners and expanded the scope of its requirements, to include OECD Due Diligence, by the creation of the Responsible Gold Guidance. The Guidance operationalizes and extends the OECD Gold Supplement for refiners and builds on existing Anti-Money Laundering and Know Your Customer management systems and auditing practices. It also makes what is a voluntary system (the OECD Guidance) mandatory for all refiners wishing to sell into the London Bullion Market. This framework is intended to assure investors and consumers that all London gold stocks are conflict-free due to compliance with an audited, conflict-free process.

## Structure & Development

The Guidance is based on the OECD Due Diligence Guidance issued in December 2010 as well as Swiss and US KYC, Anti-Money Laundering and Combating Terrorist Financing regulations. The structure of the Guidance combines and expands leading refiners existing AML, KYC and security policies, management systems and audit processes to include risk-based due diligence in order to avoid contribution to conflict.

The LBMA Responsible Gold Guidance mirrors the OECD five-step framework for risk-based due diligence in the mineral supply chain. The definitions are based on the OECD's definitions as well as the Financial Action Task Force on Money Laundering's definitions (FATF). International auditing standards that independent and competent third parties auditors must use include ISAE 3000 and ISO 19011:2002, to incorporate both US and EU auditing systems for AML and KYC.

The LBMA Guidance goes beyond the requirements of the OECD Guidance in both its auditing requirements and its definition of conflict. Auditing is required for all refiners' production regardless of whether the source of their feedstock is formal mining, artisanal and small-scale production or recycled metal. This ensures that all metal going through the refinery is conflict-free.

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The LBMA has also created a Third Party Audit Guidance document to assist auditors conducting Responsible Gold Audits. This document provides transparency and consistency to the process.

## Mutual Recognition & Industry Harmonisation

In addition to the LBMA, the organisations listed below are all dedicated to working together to avoid duplication of costs, particularly with regard to audits.

- Responsible Jewellery Council (RJC): Chain-of-Custody certification available for responsibly-produced and conflict-free gold, and conflict-sensitive sourcing practices.
- World Gold Council (WGC): Conflict-Free Standard for gold mining companies operating in conflict-affected areas. Supports LBMA refiner due diligence.
- Electronics Industry Citizenship Coalition (EICC): audit protocol for gold refiners to assist the electronics sector with Dodd Frank reporting.

The LBMA recognises and supports the WGC's Conflict Free Gold Standard and the Fairtrade Fairmined standard. The WGC's standard greatly reduces the refiner's due diligence burden on mined production received that have gone through the audited Conflict-free process. The LBMA has also agreed mutual recognition of conflict-free refiner audits with the EICC - CFS programme as well as the RJC.

	LBMA	RJC	CFS (EICC)	WGC
Applies to	Refiners	All supply chain	Refiners	Mining Companies
Focus	OECD Due diligence, KYC and AML	Code of Practices; OECD Due Diligence	Country of origin, Dodd Frank Act	Conflict-free, OECD Due Diligence
Audit outcome	Good Delivery Accreditation	CoC Certification	Validated Smelter/Refiner list	3rd party assurance of due diligence
Harmonisation	Audit Recognition: RJC CoC. CFS audits = Responsible Gold Requirement	Audit Recognition: LBMA, CFS = conflict-sensitive sourcing only	Audit Recognition: RJC, LBMA audits = CFS Opportunity for harmonisation with LBMA and RJC	Supports refiner due diligence for mined gold under LBMA, RJC and EICC

## OECD Due Diligence Guidance & Implementation

The OECD Due Diligence Guidance is seeking to establish a global framework to help companies to manage their mineral supply chains. The objective is to enable companies, through due diligence, to put in risk-based processes that will enable continued sourcing of minerals from so-called “red-flag locations” if the appropriate processes and controls are in place. LBMA Members as well as refiners have contributed to this work. Ruth Crowell, the LBMA's Deputy

Chief Executive also acted as the co-facilitator of the OECD Gold Supplement Drafting Committee and the OECD Interim Governance Group. All of the organisations listed above have also supported and been involved in the work of the OECD Due Diligence Guidance – Gold Supplement. This is in order to ensure that all these emerging initiatives work in concert towards a common goal of reducing the violence and human rights abuses funded by conflict minerals.