



ANNUAL REVIEW **2019**



LBMA – The Global Authority for Precious Metals

LBMA is the pre-eminent standard-setting body for the global wholesale market for precious metals. We have some 140 members based in over 30 countries and they encompass every part of the journey in precious metals production.

Our mission is to ensure the highest levels of integrity, transparency and leadership for the global precious metals industry by setting standards and developing market services.

Integrity | Transparency | Leadership

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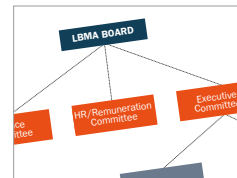
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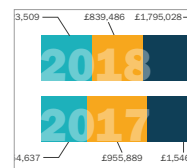


The front cover shows silver crystals from the electrolysis process prior to melting.



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Message from the Chairman

For the first time in over 300 years of trading, there are publicly available, reliable numbers for the size and liquidity of the global OTC market for precious metals. Daily publication of trade volumes by LBMA-i is a major achievement by the industry and one of a number of important initiatives by LBMA over the past twelve months. Transparent market data has already helped market clients, participants and regulators better understand the value and integrity of the global precious metals industry.

LBMA has also continued its work on ensuring integrity for the market. Key achievements include the expansion of Responsible Sourcing Guidance to include Environmental, Social and Governance (ESG) issues. We also continue to encourage the adoption of the Global Precious Metals Code by market participants, including central banks. Both of these initiatives demonstrate the importance of using LBMA values to support the global market.

LBMA has also increased its global engagement. In 2018, we increased our representation in Asia and launched a Chinese version of the website, to help facilitate global growth and cooperation in this key market. Cooperation will reach a crescendo in October 2019 when our annual conference, held in

association with the Shanghai Gold Exchange (SGE), arrives in Shenzhen, China. I hope to see many of you there.

All of LBMA's initiatives are designed to optimise the support for LBMA members, ensuring that we remain a cost effective membership organisation delivering value for money to members and supporting the market as a whole. Whether you are a member or one of the many wider market stakeholders, we look forward to working with you. Broader industry engagement is crucial to LBMA's success in fulfilling its mission: to ensure integrity, transparency and leadership for the global precious metals industry.

Thank you for all your support over the past year.

Paul Fisher
LBMA Chairman





A NEW CHAPTER FOR GOLD

UNLOCKING PRECIOUS LIQUIDITY

by Ruth Crowell, Chief Executive

A lack of transparency created a misunderstanding as to the value of gold as an asset class. The recent publication of trade data for the global OTC precious metals market not only sets the record straight, but demonstrates the quantifiable liquidity of the precious metals market.

\$42 BILLION OF GOLD TRADED EACH DAY

We published for the first time weekly trade reporting data for gold and silver in November 2018, covering spot trading, forwards, swaps, options and loan lease deposits. Since then we have added similar data sets for platinum and palladium as well as daily data sets for gold and silver. Not only do we now have reliable, consistent data on the global OTC market for the first time but we can also analyse how liquid it is. This liquidity analysis makes the market more attractive to new and existing market participants but most importantly strengthens LBMA's dialogue with regulators and policy-makers on matters such as the EU's implementation of Basel III.

MORE LIQUID THAN GOVERNMENT BONDS

When analysing the liquidity of the precious metals market, we applied the same metrics as used by the European Banking Authority (EBA) in its 2013 report on definitions of High Quality Liquid Assets (HQLAs). We compared precious metals against government, covered and corporate bonds, which were all considered HQLAs. Gold stands away from the pack.

GOLD SHOULD BE TREATED AS A HIGH QUALITY LIQUID ASSET

Our preliminary analysis set out in the table on page 7, indicates that gold is much more liquid than government bonds, which are considered not only a HQLA, but an Extremely HQLA.

NEW ERA FOR GOLD – A BALANCE SHEET ASSET

Thanks to this new data, regulators and investors can see the OTC precious metals market with new eyes. LBMA will continue its campaign for gold to be treated as a truly liquid, safe haven asset. Market participants have already shared the positive response from clients as the LBMA continues to publish more and more granular datasets. We look forward to precious metals no longer being considered a balance sheet burden, but the balance sheet asset that the industry has known all along. We now just have the data to quantifiably prove it.

GLOBAL MEMBERSHIP & OUTREACH

We are launching new informational services for members and the industry as a whole. Market development initiatives, online training, market briefings, a growing programme of webinars and events have encouraged continued interest in LBMA Membership. The success of the Responsible Sourcing Programme has been a major driving force in the growth reputation of LBMA. LBMA looks to share more information with the Membership that keeps them informed and engaged on global industry developments and challenges.

To reach the global industry, LBMA continues to host and participate in an ever growing number of international industry events. LBMA Asia has focused on China this year to ensure the local market is up to date and engaged with LBMA integrity initiatives, such as Responsible Sourcing. To support these outreach efforts, we launched a new Chinese website earlier this year and have had a number of our publications translated into Chinese. Given the rapid growth and development in the Chinese precious metals market, we are bringing the annual conference to Shenzhen in October. There the global industry will have the opportunity to see the world's largest gold vaults as well as gold jewellery manufacturing on an enormous scale.

142
member
companies

88
members

54
associates

in **30 COUNTRIES**

INDUSTRY ENGAGEMENT – GET INVOLVED!

As part of our outreach to the global industry, we are revising the current membership categories to ensure diversity as well as provide transparency on membership benefits and requirements. We will introduce additional classes of membership to allow more engagement from other supply chain actors. In particular, we are focusing on miners, central banks and downstream users such as electronic companies and jewellery manufacturers.

Whether it is to celebrate the future of the gold price, to explore the growing market in China or to help us continuously improve the Responsible Sourcing Programme, we hope to see you at one of our many events and meetings.

Together we will continue to develop the global industry and ensure trust in precious metals as a transparent, liquid asset class.

LONDON GOLD PRICE CENTENARY – THE NEXT 100 YEARS

100
GOLD PRICE
CENTENARY

2019 marks the centenary of the first London gold price, now known as the LBMA Gold Price. In an ever changing world, it is important not only to recognise this important achievement, but to look forward to the next 100 years.

Throughout its continued recognition as the globally established benchmark, there have been significant changes to the transparency, oversight and participation in the price auction. In 2015, ICE Benchmark Administration (IBA) was appointed the first independent administrators of this regulated benchmark. Direct participation has tripled from five to 15 entities, including the addition of three Chinese banks.

To mark the centenary of the price, LBMA has arranged a series of events during 2019.



WHAT'S PLANNED FOR 2019?



SEMINAR & COCKTAIL RECEPTION, 12 SEPTEMBER

To be held on the centenary of the first gold price, in the current Rothschild & Co building which was built on the site of (the second) New Court, St Swithin's Lane, where the first gold price was set. We would like to thank Rothschild & Co for their support in hosting this event.



GOLD TALK, 27 SEPTEMBER

Ruth Crowell, LBMA Chief Executive and Paul Fisher LBMA Chairman, will deliver a joint talk at the Bank of England on the history of the gold market.



SEMINAR & GALA DINNER, 3 DECEMBER

Will take place in the historic surroundings of the Goldsmiths Hall in the heart of the City of London.



COIN COMPETITION

LBMA members, Associates and GDL refiners have been invited to take part in a competition to design a silver 1oz medallion to commemorate the centenary. Designs will be judged by an independent panel of industry experts.



UPDATING THE ROTHSCHILD & CO CHART CELEBRATING THE 80TH ANNIVERSARY OF THE PRICE

With the assistance of Rothschild & Co, we will be looking to update the chart that was produced by Rothschild & Co to mark the 80th anniversary of the gold price back in 1999.

Regulatory REPORT

NET STABLE FUNDING RATIO (NSFR)

On 4 December 2018, the European Finance Ministers agreed amendments to Regulation 575/2013 (CRR II), including NSFR. The agreed text was published in April 2019 and the NSFR provisions will apply from 2021.

It is understood that the European Parliament could not maintain its position to reduce the Required Stable Funding (RSF) factor for precious metals from 85% to 50%. The agreed text foresees an 85% RSF for precious metals in the renumbered Article 428. However, the agreed text also introduces a new Article 510(7c) which mandates the European Banking Authority (EBA) to undertake a liquidity assessment of the precious metals market that could justify a reduction of the RSF factor. This provision enshrines in EU law that the co-legislators accept that the liquidity of precious metals markets has not been properly assessed in preparation of the European Commission's

(EC) proposal and that there are reasonable doubts that an RSF of 85% is justified.

The agreed text foresees that the EBA shall submit its report to the EC within 24 months after the legislation enters into force. This timeframe follows substantial lobbying efforts by LBMA, supported by law firm Norton Rose Fulbright LLP and other stakeholders. The agreed text provides the opportunity for the EBA to present its findings ahead of the application of the NSFR and leaves room for the EC and national competent authorities to take these into account.

TRADE REPORTING LBMA-i



Gold
160.1mn oz



Silver
2.1bn oz



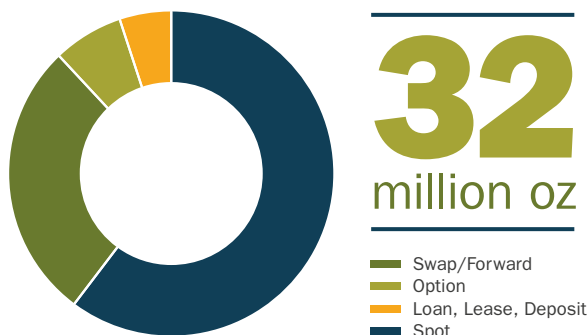
Platinum
6.7mn oz



Palladium
5.3mn oz

The data represents the 12 week moving averages for the period ending 30 June 2019.

GOLD – TRADE REPORTING DAILY AVERAGE by Product



LBMA together with its service provider Simplitium (now owned by NASDAQ), went live with LBMA-i, the vehicle for the public dissemination of trade reporting, in November 2018. The trade reporting data for gold and silver was initially published on a weekly basis from November 2018. In April 2019 daily reporting was introduced and at the same time weekly platinum and palladium data was launched. In May 2019 options strikes volume data was added to the data sets. Volumes in price tranches will come on stream later in 2019.

This transparency of trade reporting data helps LBMA members understand their share of the OTC market but will also provide stronger support for regulatory lobbying, most notably the NSFR. To date, the trade data has provided positive evidence of gold's liquidity and the argument that NSFR should not apply to gold in the same way it does to other commodities. More information on this will be shared later in 2019.

**LBMA WILL
CONTINUE TO
LOBBY FOR
POSITIVE MARKET
CONDITIONS FOR
OUR MEMBERS**

A balance sheet asset

Using this new trade reporting data, LBMA has undertaken an analysis of the liquidity of gold and the other three precious metals. This preliminary analysis has been compared against the EBA's data from its 2013 Report and are set out in the table below. It demonstrates that gold in particular is an attractive liquid asset which even outperforms the Extremely HQLA.

	Asset class ¹	Amihud illiquidity ratio (%points per million EUR)	Price volatility (in %points)	Price change (in %points)
2013 EBA Report	Government bonds	0.059	1.001	3.143
	Covered bonds	0.090	0.725	1.830
	Corporate bonds (excl. financials)	0.188	0.904	2.807
	ABS (incl. RMBS)	0.208	2.927	5.830
	Equities	0.406	3.294	17.112
	Gold	–	4.042	9.115
2019 LBMA liquidity assessment	Gold	0.000018	0.368	1.164
	Silver	0.000204	0.623	2.606
	Platinum	0.001532	1.127	2.600
	Palladium	0.001665	1.660	2.925

Extremely HQLA HQLA Insufficiently liquid

[1] Average measure over the sample period and standard deviations in brackets in respect of each asset class.

DRIVING INTEGRITY OF THE BARS & THE MARKET

The Gold Bar Integrity (GBI) project has looked at how new technologies, such as distributed ledger and currency grade security features, can add value to the world's oldest currency. The industry engagement in this process has been remarkable. LBMA looks at how it can encourage innovation as well as provide some basic standards and infrastructure to support the many initiatives that are being developed.



THE CODE

100%

of members have already signed statements of commitment to the Global Precious Metals Code (The Code).

TRADE REPORTING

OVER
87.5%

of LBMA members who are eligible and permitted have connected to LBMA-i. Of these, 100% of Market Makers have signed legal agreements for trade reporting. The remaining members are making progress to do so.

LBMA PRICE AUCTIONS

63%

of traded volumes in the gold auction in 2018 were centrally cleared.

83%

of traded volumes in the silver auction in 2018 were centrally cleared.

GOLD BAR INTEGRITY

24

companies comprise LBMA's GBI Working Group. Across the industry these companies are assisting LBMA to analyse the benefits that technology can deliver for the integrity of the precious metals market.

INTEGRITY INITIATIVES – THE CODE

Beyond a commitment to transparency through daily trade reporting, LBMA is delighted to confirm that all members have attested to The Code. This demonstrates member commitment to its core values to ensure a fair and effective market place. We encourage all central banks as well as precious metals markets around the world to do the same. When it is reviewed in 2021, we welcome enhanced engagement from central banks and gold markets to help achieve truly global adoption.



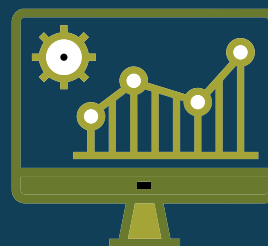


THE CONFLICT
MINERALS
REGULATION (CMR)
WAS PASSED BY
THE EU IN 2017 TO
COME INTO FORCE
IN JANUARY 2021

CONFLICT MINERALS REGULATION

The Conflict Minerals Regulation (CMR) was passed by the EU in 2017 to come into force in January 2021. It is intended to: (a) prevent conflict minerals and metals from being exported to the EU; (b) stop global and EU refiners from using conflict minerals; and (c) protect mine workers from abuse. The CMR will apply to all entities importing 100kg or more of gold into the EU from Conflict-Affected and High-Risk (CAHR) areas. During 2019, the EC will publish a non-exhaustive list of countries that ought to be identified as CAHR. The CMR does not apply to recycled metals or stocks created before 1 February 2013.

The obligations under the CMR include implementation of the five-step framework provided by the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from CAHR areas (the OECD Guidance). LBMA is applying for its Responsible Sourcing Programme (RSP) to be recognised as an industry scheme equivalent to the OECD Guidance's five-step framework. If the application for recognition is successful, compliance with LBMA's RSP will demonstrate compliance with the CMR. This would enable Good Delivery List (GDL) refiners to undergo only one audit to maintain access to the EU trade bloc for gold.



Reporting obligation

Step 5 of the OECD framework and Article 7 of the CMR focus on publicly reporting due diligence efforts. LBMA is working with a number of key stakeholders, for example mints and bullion banks, to help clarify their obligations under the CMR. A reporting template for bullion banks is also being developed by the Financial Crime Working Group.

RESPONSIBLE Sourcing

RESPONSIBLE GOLD GUIDANCE (RGG)

Version 8 of our RGG was launched on 1 January 2019. This latest iteration includes enhanced due diligence requirements

SUSTAINABILITY IS KEY TO RESPONSIBLE GOLD SOURCING

to recognise the increasing importance of having strong corporate governance and addressing environmental and sustainability responsibilities. Additional guidance for greater engagement including with upstream producers is also

included. The content was agreed after a comprehensive consultation process with all interested stakeholders. The first round of audits for all refiners against the new version will take place from January 2020. It is expected the first year results will produce some non-conformances, as refiners look to develop their Environment, Social and Governance (ESG) agenda.

RESPONSIBLE SILVER GUIDANCE (RSG)

2018 was the implementation year for our RSG, with the first mandatory audits taking place in early 2019. Refiners on both the gold and silver Good Delivery Lists (GDL) have developed robust supply chain management policies and procedures in the seven years since RGG was launched and, hence, are reporting very low numbers of non-compliances. In contrast, silver-only Good Delivery List refiners are at the beginning of their journey and, consequently, we are seeing higher instances of non-conformance reported during these first audits. The majority of these non-compliances are being recorded against gaps in management systems, employee training and engagement with producers. This closely matches the situation experienced when LBMA first introduced mandatory RGG audits. However, as per the requirements under the LBMA Responsible Sourcing Programme (RSP), any medium to high non-compliances have to be addressed within three months and then a new audit carried out.

IT IS STILL THE BEGINNING OF THE JOURNEY FOR SILVER GDL REFINERS

AUDITORS

For all audits on financial years starting on or after 1 January 2019, LBMA will only accept ISAE3000 assurance engagements. This change has been made to further enhance the rigour and transparency of our RSP. It has been reinforced by regular training webinars and a joint advanced auditor skills training course held in conjunction with the OECD.

MULTI-METAL AUDITING

In 2018, we collaborated with LPPM to introduce a Responsible Platinum & Palladium Guidance document. This Guidance is very closely aligned with our existing RGG and RSG programmes. It is a mandatory requirement that all refiners must use an LBMA-approved auditor to ensure the credibility of the standard, whilst minimising the additional resources required by refiners producing all four metals.

**LBMA EXPECTS
ALL MEMBERS AND
GDL REFINERS
TO COMPLY WITH
RELEVANT SANCTIONS
LISTS, WHICH INCLUDE,
BUT NOT LIMITED TO
US, UK, EU AND
UN SANCTIONS**

RISK ASSESSMENT

LBMA members and accredited refiners are expected to manage their own systems and processes to ensure they comply with all laws and regulations, which includes relevant sanctions lists.

REFINERY RISK CATEGORISATION

LBMA has developed an internal tool to determine the appropriate level of scrutiny.

	RISK LEVEL		
	Low	Medium	High
Throughput (t)	10-50	50-100	> 100
Material Type	Industrial by-product Conversion of LGDB	Scrap LSM*	ASM**
Source	Local	Regional	International
Market Intelligence	No Issues	Minor Issues	Known Issues
Location	As per country risk assessment		
Business Model	As per business model assessment***		

*Large Scale Mining.

**Artisanal and Small Scale Mining.

***This takes into account how a refinery is funded, controlled, owned, etc.

COUNTRY RISK CATEGORISATION

LBMA has also developed an internal country risk categorisation based on publicly available sources combined with market intelligence.

	Description	Source
Category 1	Extreme Risk (US, UK, EU & UN sanctions)	Relevant List
Category 2	Dodd-Frank	Section 1502
Category 3	Conflict	Heidelberg Conflict Barometer
Category 4	Known Issues	Market Intelligence+Lexis Nexus/World Check
Category 5	No issues	

It should be noted that the above categorisations are used as guidance and are not definitive or exhaustive.

COUNTRY OF ORIGIN DATA

LBMA accredited refiners are required to record the country of origin for all material received (mined and recycled) as well as the quantity. This enables LBMA to track gold and silver flows and reconcile them against published data.

	GOLD		SILVER	
	Mined %	Recycled %	Mined %	Recycled %
Asia	57.8	31.9	15.8	46.0
North America	17.1	5.1	40.6	13.6
South America	14.2	0.7	32.6	1.1
Africa	8.8	2.7	0.3	5.5
Oceania	1.1	<0.1	0.4	0.2
Europe	0.7	59.6	10.3	33.6
Central America	0.2	0.1	0.1	<0.1

NON-CONFORMANCES RAISED

The steady decrease in non-conformances raised during audits on gold refiners highlights how continuous improvement actions by refiners are improving standards across the board. As 2018 was the implementation year for silver refiners, we expected to see elevated numbers of non-conformances in silver-only GDL refiners, and this reflects what happened when the RGG was first introduced in 2012. We expect to see these numbers trend down as silver refiners fully embed systems in their operations.

		Low Risk	Medium Risk	High Risk
GOLD	2015	46	4	1
	2016	33	5	0
	2017	37	2	0
	2018	11	0	0
SILVER	2018	20	22	15

DUE DILIGENCE Statement

LBMA considers its commitment to due diligence as a high priority and adheres to a robust due diligence process for both current and potential new members and/or 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.

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 for GDL accreditation.

These include, but are not limited to: money laundering, conflict financing, terrorism financing, serious human rights abuse, corruption and sanctions violations.

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 relevant sanctions lists, information that market practitioners might have, NGO reports and/or any other market-specific data source.

INCIDENT Management

Any incidents or issues that may put the credibility of the GDL 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 Gold and Silver GDL and particularly the RSP. This procedure is invoked in response to a particular reputational concern or event, 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 money laundering, step 6 (Refiner Contact) may be omitted and the relevant action may be taken. In certain circumstances Refiner Contact could be made much sooner.

STEP 8 – ACTIONS/SANCTIONS

Failure to meet the standards has serious implications for GDL refiners.

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



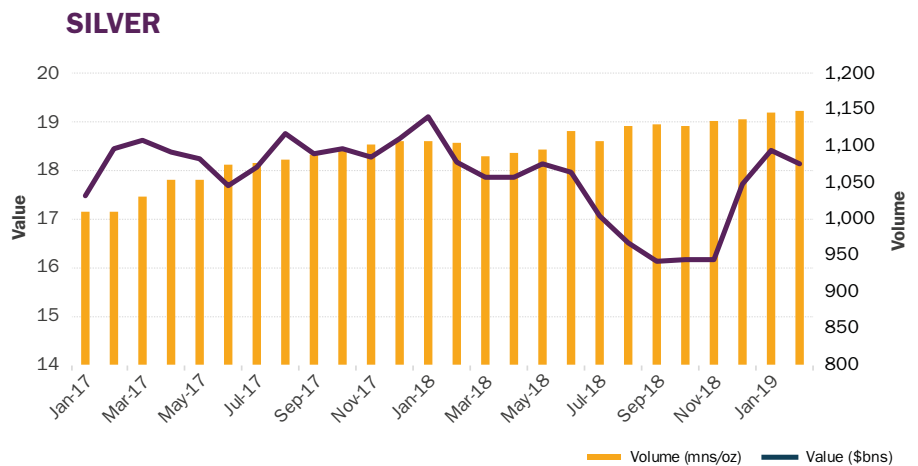
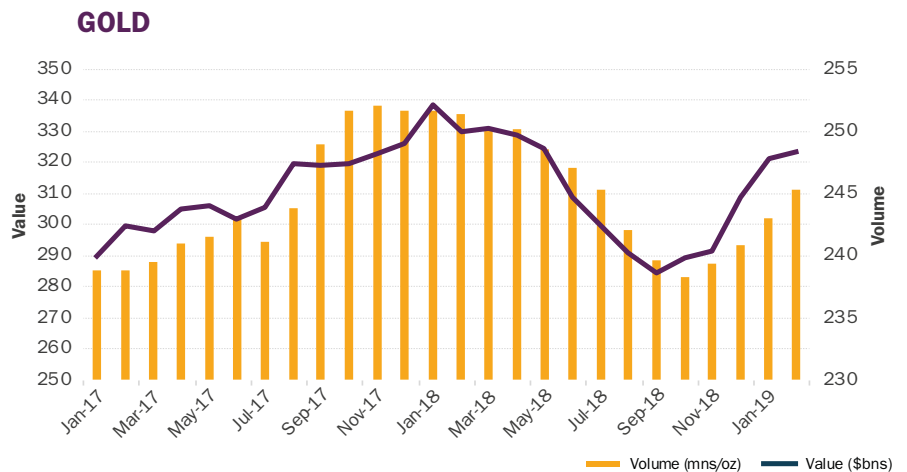
PHYSICAL

Market Report

Vault Holdings

The graphs show the monthly holdings of gold and silver held in London vaults both by volume (mns/oz) and value (\$bns).

Total holdings in loco London vaults and the Bank of England have been reported since 2016. In terms of weight, gold holdings have fluctuated but show an increase of 3.8%, while silver holdings by contrast have increased steadily by 20.5%, between 2017 and 2019.



REFINER NUMBERS

There are now 101 refiners on the Good Delivery Lists (GDL). We have 66 refiners listed for gold, 83 listed

for silver and 48 refiners appear on both Lists. There is still a significant number of refiners attempting to get their brand onto

the Lists and there are currently 10 active applications, with a similar number pending.

There have been three removals due to either bankruptcy, relocation of operations or ownership issues.

101 REFINERS ON THE GOOD DELIVERY LISTS

NEW LISTINGS

Gold Italpreziosi – Italy

Silver Shandong Humon Smelting Co Ltd – China

Hunan Guiyang Yinxing Nonferrous Metals Smelting Co Ltd – China

Guandong Jinye Precious Metals Smelting Co Ltd – China

Jiyuan Wanyang Smeltery Group Co Ltd – China

The recent trend has been maintained in that there is still a strong interest to List from China, particularly for silver. Current and pending applications, however, are more evenly split between gold and silver refiners.

GEOGRAPHICAL BREAKDOWN

Where are the refiners located?

Area	Gold and Silver	Gold Only	Silver Only	Total
Africa	1	0	0	1
Americas	7	2	2	11
Asia	29	11	26	66
Europe	10	4	7	21
Oceania	1	1	0	2
Total	48	18	35	101



TOTAL GOLD

66



TOTAL SILVER

83

Chinese brands make up **30%** of the list.

GDL UPDATE

It has become mandatory for refiners to supply data relating to the month of production for London Good Delivery gold and silver bars. The data can either be stamped on the bars or reported to LBMA on a monthly basis. This is a move to further ensure the integrity of bars in the market and minimise disruption in the event of bars no longer being accepted in the London market. This change came into effect as of 1 January 2019.

TOTAL REFINED PRODUCTION (TONNES)

GDL Refinery Throughput



GOLD	4,579	4,921	5,034	4,860	4,881
SILVER	28,013	31,131	32,355	31,874	30,569

Notes:/About these figures:/Please note:

i) Refined production includes only the output that has gone through a refining process.

ii) The production for newly accredited refiners excludes production in the years prior to listing.

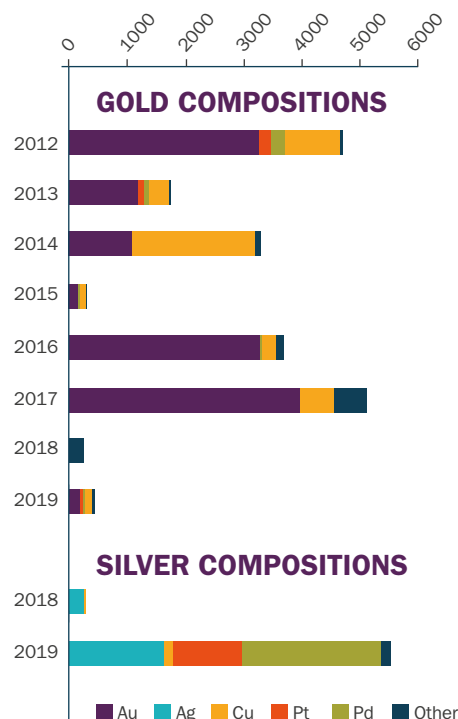
iii) The production for refiners moved to the Former Lists is still included in the years prior to the removal date.

98%

OF GOLD PARTICIPANTS ACHIEVED GOOD OR VERY GOOD RESULTS

PROFICIENCY TESTING (PT)

The results of the eighth round of the PT Scheme were published in January with 42 labs participating in gold and 41 for silver. The results were analysed and presented at the Assaying & Refining conference in March where it remains an invaluable tool for serious laboratories and essential for ISO17025.



The performance of laboratories participating in the LBMA PT have been increasing steadily. Over 98% of gold and 90% of silver participants achieved good or very good results.



ASSAYING AND REFINING CONFERENCE (A&R)

The eighth biennial A&R conference was held in London on 17-20 March with over 200 delegates from 22 countries in attendance. Although primarily a technical conference geared towards laboratory technicians, a wider cross-section of delegates, including more central bankers and exchanges, were there to hear about two key themes: refining and sustainability. Discussion focused on the merits of fire assaying versus instrumental techniques, whilst other topics of interest included how we could deliver improvements to security, integrity and standards. The conference proved a great success with 88% of delegates saying it was 'good' or 'excellent'. We look forward to seeing many of you at the next A&R conference in March 2021.



LPMCL

London Precious Metals Clearing Limited (LPMCL)

LPMCL is responsible for managing the clearing and settlement of the global OTC precious metals market through its central electronic hub, Aurum. LBMA provides the executive function on behalf of LPMCL, acting as company secretary and providing corporate governance and support.

HIGHLIGHTS

- LPMCL has elected two new directors to its Board: Mark Amlin, Head of Physical Metals at JP Morgan and Steven Forrest, Operations Manager at UBS.
- Markos Mellos, Executive Director at JP Morgan has also been elected as Chairman of the Technical Committee.

BOARD & GOVERNANCE

LBMA now publishes on its website three key elements relating to the Board: the quarterly minutes, Terms of Reference and the outcome of the Independent Board Effectiveness Review.

The goal of the Effectiveness Review is to ensure oversight, but also to maintain member and market engagement in the work of the LBMA. The overall recommendations strongly correspond to the short and long-term strategic ambitions of LBMA. Following the Review’s Key Recommendations, the Board has finalised its Three Year Plan and is in the process of recruiting a third Independent Non-Executive Director (NED). It is envisaged that the engagement of another independent NED will enhance the oversight of and the communication with Sub-Committees and Working Groups.

LBMA BOARD



DR PAUL FISHER
Chairman



ANDREW QUINN
Non-Executive Director



RUTH CROWELL
Chief Executive



SAKHILA MIRZA
General Counsel &
Executive Board Director



GRANT ANGWIN
President, Asahi Refining
USA Inc and Board Vice
Chairman



MEHDI BARKHORDAR
Vice Chairman
MKS PAMP Group



HITOSHI KOSAI
Chief, International
Planning Office Tanaka
Kikinzoku Kogyo K.K. &
TANAKA HOLDINGS Co., Ltd



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

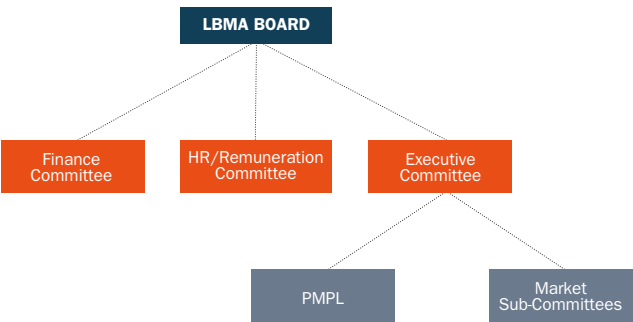


RAJ KUMAR
Managing Director
ICBC Standard Bank Plc

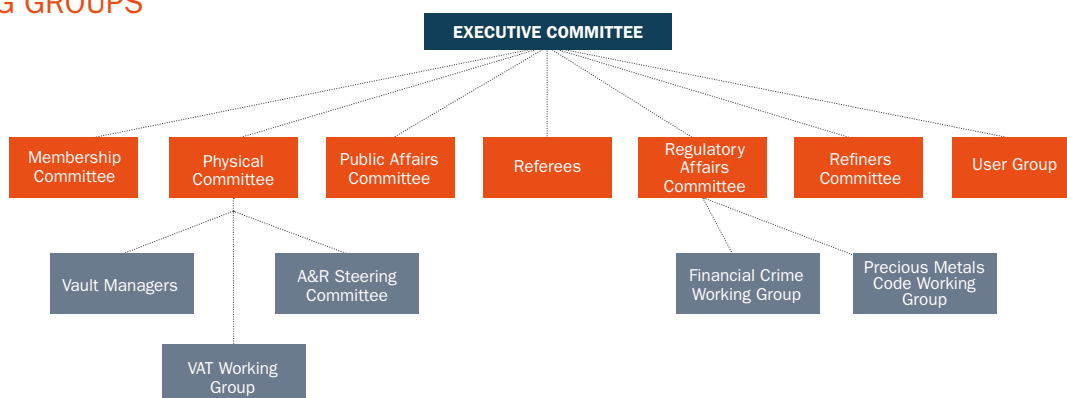


EDEL TULLY
Executive Director
Global Precious
Metals Strategist,
UBS Investment Bank

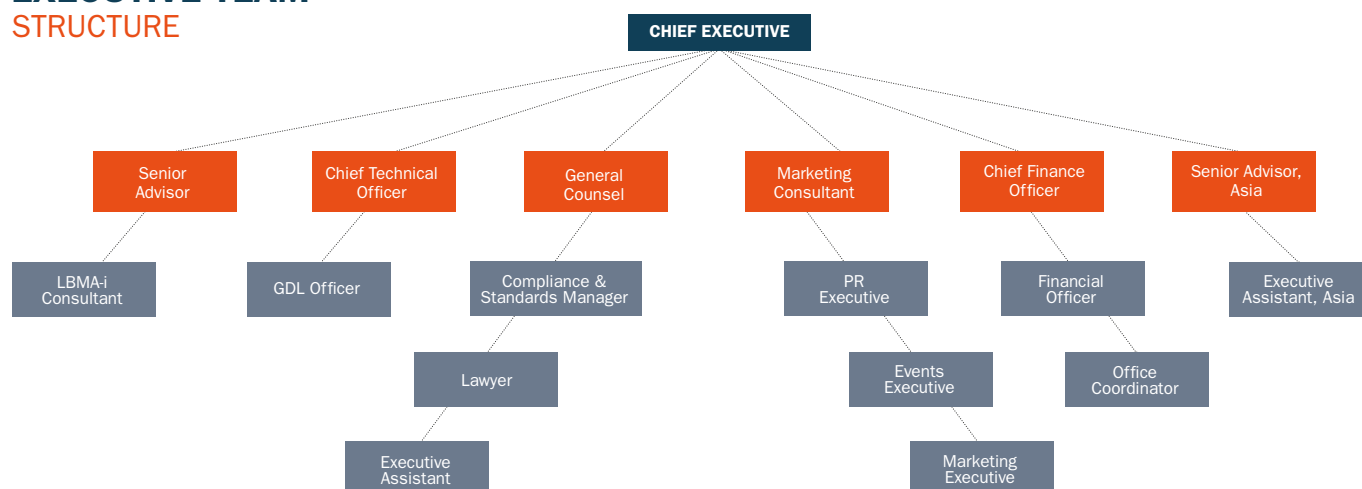
INDEPENDENT BOARD AND SUB-COMMITTEES WITH DELEGATED POWER



MARKET SUB-COMMITTEES & WORKING GROUPS



EXECUTIVE TEAM STRUCTURE



Back row from left to right: Stephanie Bennell Financial Officer, Rachel Hart Lawyer, Aelred Connelly PR Executive, Jade Maisey Executive Assistant, Varsha Peiris GDL Officer, Jamilah Leigh Marketing Executive, Emmy Richardson Office Coordinator and Emily Brough Events Executive.

Front row from left to right; Sakhila Mirza General Counsel & Executive Board Director, Ruth Crowell Chief Executive, Neil Harby Chief Technical Officer and Ed Blight Chief Finance Officer.

Rebecca Adamson Marketing Consultant, Jeremy East Senior Advisor Asia, David Gornall Senior Advisor, Jing (Bonnie) Li Executive Assistant Asia, Susannah McLaren Compliance & Standards Manager and Joanna Stuart LBMA-i Consultant are also part of the team, but do not appear in the photograph.

FINANCIAL Overview

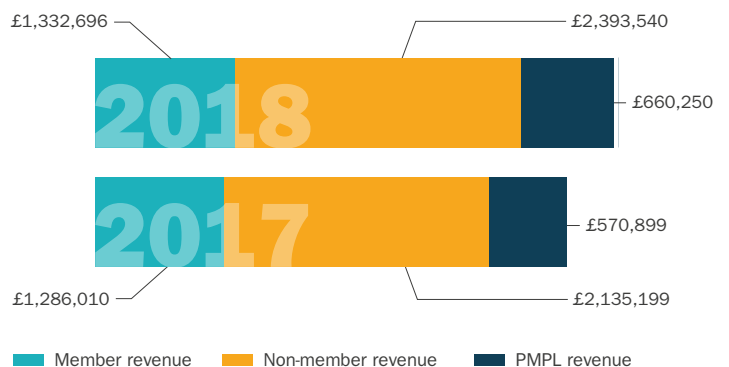
2018 was a year of investment for LBMA. The investment in trade reporting and communications in particular were vital in delivering greater transparency for our lobbying efforts in respect of NSFR. However it did mean additional short-term costs.

To support the Board's long-term strategy a root and branch review of the revenue and cost bases was conducted in conjunction with our auditors, Kingston Smith LLC. The outcome is now delivering far greater transparency of the long-term financial stability of LBMA, as well as the risks to be mitigated against and the opportunities to be explored.

This year revenue and expenditure have been broken down by category into member, non-member and our subsidiary, Precious Metals Prices Ltd (PMPL). We can report that in 2018 member revenues from subscriptions, events and other sources increased to £1.3mn up 3.6% against 2017 whilst non-member income was £2.4mn, up 12.1% against 2017. The revenue from PMPL (generated from the contracted share of licensing of LBMA precious metal prices) increased to £660k up 15.7% on 2017. Retained PMPL profits from 2017 were paid as a dividend to LBMA (as sole shareholder) and reinvested in both the evolution of LBMA and the development of the market, an approach which will be followed in future.

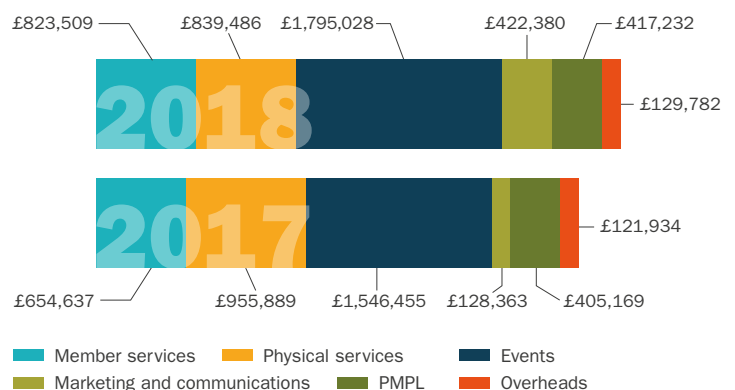
2018 WAS A YEAR OF INVESTMENT FOR LBMA

REVENUE



Combined member and physical services expenditure in 2018 increased from £1.6mn in 2017 to £1.7mn (+3.3%), whilst expenditure on events increased by 16.1% to £1.8mn, largely driven by the higher costs of operating the 2018 conference in Boston. In 2018 PMPL operating costs increased by 3% to £417k. Marketing and communications costs trebled from £128k in 2017 to £422k in 2018, reflecting the development of LBMA's communications strategy, as well as substantial investment in global industry outreach in line with the Board's strategic objectives.

EXPENDITURE



LOOKING ahead >>

TO 2019 AND OUT TO 2022

Whilst investment levels have increased and will likely continue to do so, LBMA looks set to remain financially stable although there is much that could affect this position. The key message is that the governance and analytics are in place to manage potential risks and opportunities to support both long-term decision-making and the journey towards achieving the LBMA strategic vision.

GLOBAL PRECIOUS METALS CONFERENCE 2019

13-15 OCTOBER
Grand Hyatt, Shenzhen

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12 September 2019 marks the centenary of the first London gold price auction, now known as the LBMA Gold Price. Today, the price continues to be set in London and remains the globally recognised benchmark. During the past century, the gold price has survived dramatic times, and we celebrate the courage of the gold market in its ability to seek out hope, and to adapt. LBMA looks forward with anticipation to the ways in which the market will continue to evolve and grow in the future.

