



LBMA

ANNUAL REVIEW 2020



LBMA – Advancing Standards for the Common Good of the Global Industry

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

We are the world's independent authority and standards setter that upholds trust in the global precious metals market.

Leadership | Integrity | Transparency



Message from the Chairman

Welcome to the fourth edition of the Annual Review highlighting the work of your Association. It's a little later in the year than previously and, accordingly, covers a slightly longer period.

This has been a year of unprecedented challenges, but we've stepped up our efforts to keep members and the market fully informed of developments through our regular weekly series of newsletters and webinar programme.

The Responsible Sourcing agenda is especially topical and is taking on new dimensions. Environmental issues and climate change are becoming increasingly important alongside other aspects of sustainability. Earlier this year, we announced a call for action for the whole industry to join LBMA in supporting Artisanal Small-Scale Mining (ASM communities). It is the best interests of the legitimate industry, that we do what we can to include and nurture a responsible ASM sector.

LBMA is uniquely positioned to achieve these objectives: the Good Delivery status of LBMA gold is one of the premier and most widely accepted quality marks in any sector of the global economy. We have recently put two new initiatives into play. The first is to increase transparency, with the publication of our first Responsible Sourcing Annual Report, which included data on the origin of materials for the first time.

The second initiative is on International Bullion Centres and recycled material. As it currently stands, LBMA's rules outline the approach to due diligence that a refiner has to undertake and the sort of judgements required. But the industry cannot act alone.

So we are calling on national authorities, civil society and other organisations to work with us to tighten

controls in all relevant jurisdictions, to be in line with international standards, such as those of the OECD.

This will not be an easy win, and I don't want to over-promise on what we can achieve. All I can do is stress the importance of these efforts to ensure a sustainable bullion industry, and that all of you support your association's efforts to the maximum.

We look forward to discussing our work with you in person at some of our events in 2021.



Paul Fisher
LBMA Chairman

Contents

4-7

CEO's Report



8-11

Regulatory Report



12-16

Responsible Sourcing



17-19

Physical Market Report



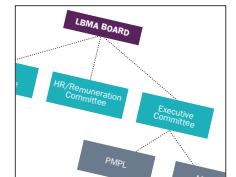
20-22

Membership



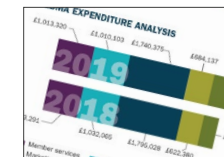
23-24

Board & Governance



25

Financial Overview



CEO REPORT



LOCO-LONDON MARKET BUSINESS CONTINUITY

As the world continues to face up to the challenges of COVID-19, LBMA has, and continues, to liaise closely with key stakeholders to ensure that the Loco London market continues to operate efficiently and effectively during what has been a highly unprecedented 2020. We can report that the market has not only remained open for business, but has also been very active, with all-time highs reported for market volumes and metal stocks. On July 29, trading volumes for gold hit a record high, with 89.36 million ounces (moz) changing hands with a total value of \$174.3 billion. By comparison, the average daily gold trading during Q3 2020 was 36.3moz, with an average value of \$69.53 billion.

Gold has maintained and continues to demonstrate its centuries old role as a safe haven and store of value in troubled times.

KEEPING MEMBERS AND THE MARKET INFORMED

In tandem with our popular weekly newsletters, in March, we launched a weekly series of webinars, including some from the Responsible Sourcing & Technology Summit, to keep Members and the wider market connected and up to date with key issues impacting all sectors of the global precious metals industry. LBMA will continue to deliver on its role as an information hub and offer its support as the voice and champion of the Loco London market.

LBMA SOLUTIONS

In light of the developments in recent months, there has never been a better case for the industry to explore further efficiencies. The advancement of global standards continues to be a key focus for LBMA, as well as ensuring that technology plays an integral role in making the settlement of precious metals more efficient and transparent. You can read more about these specific initiatives in the Regulatory Report on pages 8-11 of this Review.

Vault Holdings

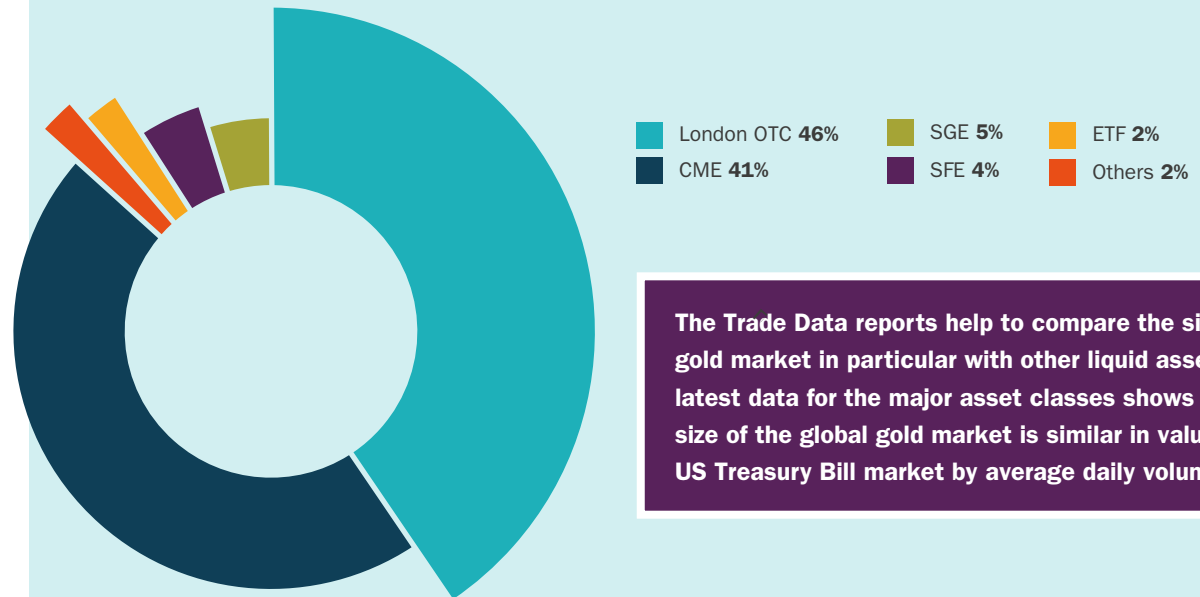
In a move towards greater transparency, on 1 September, the London commercial vaults, together with the Bank of England, announced that they would be moving to publishing vault data with a one-month lag rather than the three-month lag. This is a highly significant achievement, delivering greater transparency and more timely insight into the amount of gold and silver held in the London vaults. Gold stocks are at an all-time record high, with more than 9,000 tonnes of gold and in excess of 33,000 tonnes of silver. These stocks underpin what is the biggest precious metals market in the world. They provide an important insight into London's durability and reinforce the underlying strength of the physical over-the-counter (OTC) Market. The value of gold and silver in London vaults is in excess of \$550 billion and \$25 billion respectively.

Trade Data

LBMA Trade Data makes it possible for market participants to gauge the size and shape of the London precious metals market, the oldest and biggest financial market for gold in the world. On average, around \$64 billion of gold is traded each day.

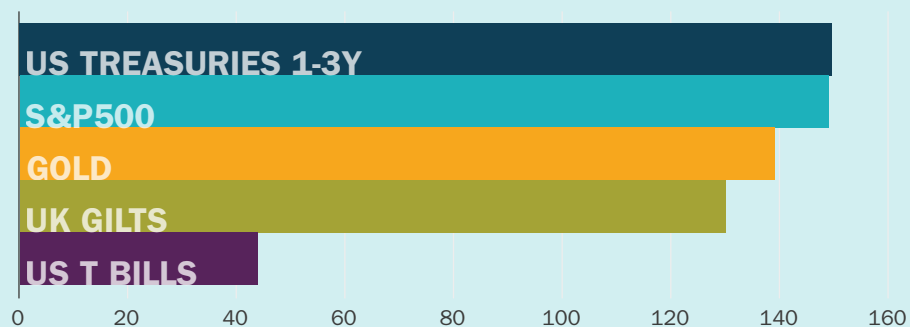
Trade Reporting – Liquidity and Comparison vs Other Asset Classes

Gold Global Average Daily Volume: \$139.25 billion



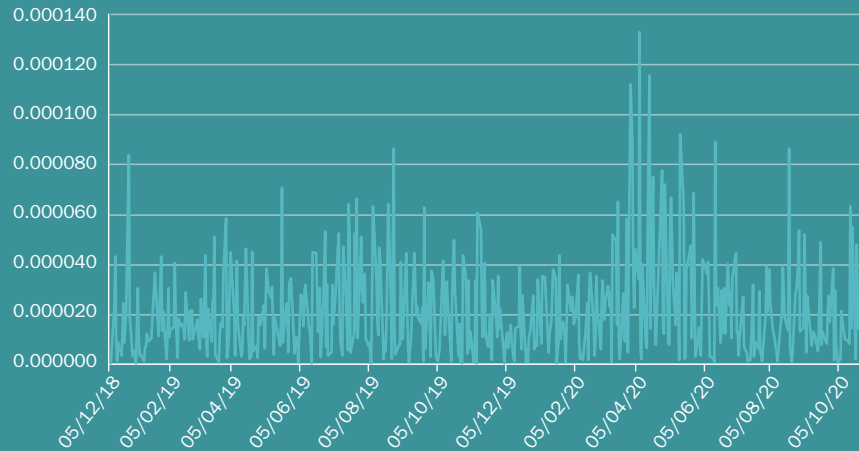
The Trade Data reports help to compare the size of the gold market in particular with other liquid assets. The latest data for the major asset classes shows that the size of the global gold market is similar in value to the US Treasury Bill market by average daily volume.

Average Daily Volume of Major Asset Classes in \$ Billion (YTD)

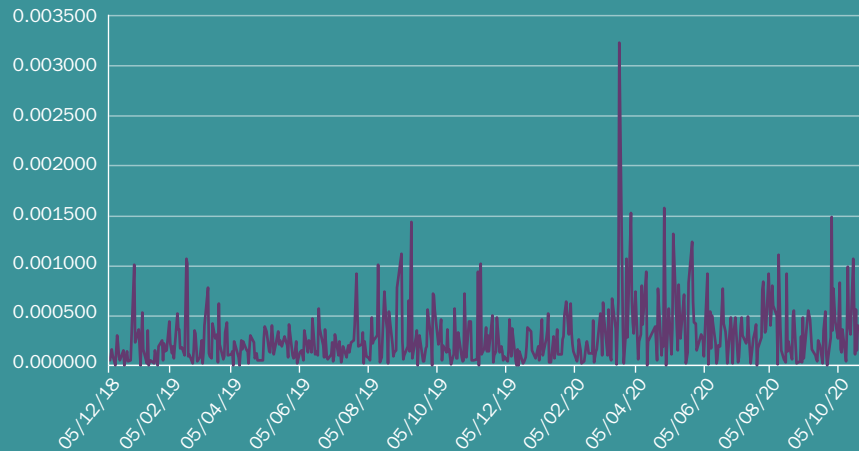


The liquidity data known as ‘Amihud’ is also created from these reports. The recent charts highlight the activity up until October 2020 and include the recent period’s strained liquidity and high volume.

Gold Illiquidity Nov 2018-Oct 2020



Silver Illiquidity Nov 2018-Oct 2020



I’m very happy to report that the data can be accessed on your Bloomberg terminal, via Nasdaq Licence and from the end of this year, Refinitiv.

Please contact lbma-i@nasdaq.com for more information.



GOLD PRICE CENTENARY

Throughout 2019, LBMA ran a number of events celebrating the centenary of the first ever gold price, which took place on 12 September 1919 at the offices of Rothschild & Co, New Court, St Swithin’s Lane. To mark the centenary, we held a seminar and cocktail reception for around 200 guests, exactly 100 years after the first gold fixing took place and on the same site. The celebrations culminated at the end of the year with a special gala dinner in December at the Goldsmiths’ Hall in the heart of the City of London.

RESPONSIBLE SOURCING

In September, we published our first annual Responsible Sourcing Annual Report. This marks a significant milestone towards increasing the transparency of the Responsible Sourcing Programme, by reviewing the refiners’ and auditors’ performance during the previous 12 months, and provides details for the first time on the Country of Origin (CoO) where GDL refiners mine and refine gold around the world.

MEMBERSHIP, SUBSCRIBER AND ENGAGEMENT – SUBSCRIBER CATEGORY NOW AVAILABLE

LBMA undertook a review of its membership structure to simplify it and to make it more democratic. The Associate category has been replaced by the Affiliate membership category, which aligns with the LPPM. Going forward, the membership will comprise Full Members, Market Making Members and Affiliate Members.

We have also introduced weighted voting rights, which means that Full Members and Market Making Members will have three votes, and Affiliate Members will have one vote. More information about the new Membership approach can be found later in this review.

SUBSCRIBER

We introduced a new Subscriber offering outside of our standard membership categories for organisations that may not qualify for direct membership but would like to keep up to date with the precious metals market and play a part towards shaping its future. It has been designed for stakeholders in the wider industry such as technology companies, central banks and downstream multinationals. This offering will be developed further over the coming months and we hope to introduce working groups to drive the work on some of the market development projects that LBMA is working on. For more information or to apply, please contact mail@lbma.org.uk.

@ASKLBMA

In early 2020, we launched a new @AskLBMA service to provide answers to questions that have been puzzling our membership. The service has proved very popular and helps to deliver more benefits to our members – our aim is to respond to any query within 24 hours.

LOCO LONDON COURSE AND VAULT TRAINING

I am delighted to report that LBMA's launch of the educational course *An Introduction to Loco London* has been very successful. The course is taught by a market professional, Emma Jenkins, and offers a detailed and definitive primer on the global over-the-counter (OTC) precious metals market. The course initially went live virtually, but the intention is to also deliver it in person when it is safe enough to do so. We have developed additional courses and if you would like a bespoke in-house training session, either virtually or face-to-face anywhere in the world, do get in touch with us at training@lbma.org.uk.

The Vault Operators Training e-platform has also been hugely popular amongst a wide range of stakeholders. The training provides all the learning resources and assessment tools needed to ensure vault operators apply the same high standards as the London Vaults. To sign up, please contact training@lbma.org.uk.

NEW WEBSITE UPGRADE

Our new website will be launched in January 2021 to meet the disparate needs of our wide range of site visitors, including making the information not only relevant but as accessible as possible. There will be increased but streamlined content, and searchable documents, such as *Alchemist* articles and industry papers. We're also improving our data offering to make it easier for people to download data from the website and to create graphs.



GLOBAL PRECIOUS METALS CONFERENCE IN SHENZHEN, CHINA

We were delighted to be back in China in 2019 to host the Conference in Shenzhen. As the world's biggest consumer and producer of gold, China was an appropriate venue for our 20th Conference. We were also extremely honoured to work in association with the Shanghai Gold Exchange, which helped us deliver a diverse programme. A total of 621 delegates attended, making it the seventh-highest attendance.

Unfortunately, we had to cancel our 2020 Conference in Lisbon due to the pandemic, but we are busy preparing for our 2021 Conference and so mark your diaries for a return to Lisbon on 19-21 September 2021 – it will be wonderful to see you all there.

The gold price has survived turbulent times during the course of the last 100 years and recent months have once again proved its endurance. Through its continued recognition as a globally established benchmark, we celebrate the courage of the gold market in its ability to seek out hope and to adapt. LBMA looks forward to the ways in which the market will continue to evolve and grow over the next 100 years.

REGULATORY REPORT

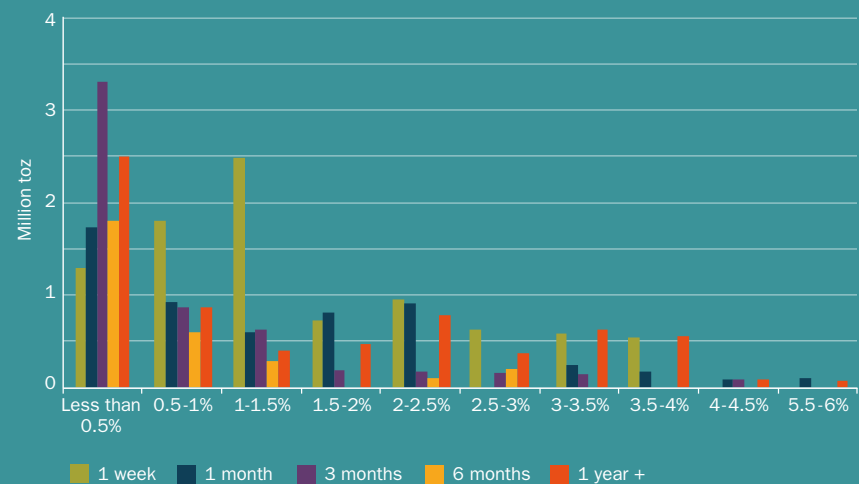
TRADE REPORTING

LBMA Trade Data (formerly LBMA-i) will soon begin its third year of publications. Within the last year, LBMA Trade Data has seen record volumes for gold and silver in spot and forwards. Over-the-counter (OTC) gold trading had Q1 volumes of \$4.32 trillion, with a 5.8% rise in price. 29 July 2020 saw the largest single daily volume traded on gold since LBMA Trade Data began, with 89.36 million ounces (moz) traded in all products. This year's data shows not only how the spot market reacted to COVID-19, but also how the pandemic impacted the forward trading volumes.

LBMA Trade Data has launched a new report containing metal interest rate data that originates from lease, loan and deposit trades. The report publication time has also been upgraded from 16:00 to 11:30.

LBMA Trade Data remains the only OTC precious metals trade data report of its kind.

Lease Loan Deposit Volume in Percentage Tranche by Tenor



The chart represents aggregated data for trades in lease, loans and deposits, by %.

LBMA Trade Data is available through Bloomberg terminals at FIFW ALLX LBXU for Gold, LBXG for Silver, LBXT Platinum and LBXD for Palladium. Alternatively, you can receive the data via email using a Nasdaq Enterprise License. Nasdaq File Delivery Service gives you the added flexibility of being able to reformat data according to your needs. For more details, write to lbma-i@nasdaq.com or go to www.nasdaq.com/LBMA.



PRUDENTIAL REGULATION for NSFR and SFTR

NET STABLE FUNDING RATIO

The Net Stable Funding Ratio (NSFR) will be implemented in Europe in June 2021 and in the US in July 2021. It has already been adopted in other countries such as Australia, Canada, India and Singapore.

Following the exclusion of gold from the High Quality Liquid Asset (HQLA) list in 2013, LBMA has sought to strengthen publicly available data to support the claim that gold can meet the requisite tests and criteria used to assess liquidity in financial asset classes.

The first half of the year's period of liquidity will be included in our statistics and will be valuable within our efforts to demonstrate that gold should be included as an HQLA when prudential regulators conduct their next review.

The European Banking Authority (EBA) will publish a report on the impacts of NSFR in the precious metals market in June 2021, which will include references to the most recent set of LBMA Trade Data. The EBA uses the Basel Quantitative Impact Study to assess the impact of finalised Basel III standards such as NSFR.

SECURITIES FINANCING TRANSACTIONS REGULATION

The reporting obligations for the Securities Financing Transactions Regulation (SFTR) went live in July 2020. SFTR aims to reduce systemic risk in the securities financing transaction (SFT) market by requiring financial and non-financial counterparties to report both sides of any SFTs. Guidelines published by the European Securities and Markets Authority (ESMA) in January 2020 announced that commodities transactions entered into for operational or industrial (non-financial) purposes are not SFTs and therefore are out of SFTR's scope.

In response to those ESMA guidelines, LBMA has published market guidance to assist market participants in their application of SFTR and the operational or industry purpose exemption. Having a market position will help to avoid any reporting inconsistencies, underreporting or overreporting. LBMA has also published a representation letter for use between financial and non-financial counterparties in applying the operational or industrial purposes exemption to ensure uniformity in the market's interpretation of reporting obligations under SFTR.

TERMINAL MARKETS ORDER

Since its publication in 1973, the Terminal Markets Order (TMO) has set out a simplified system of controls to reduce the Value Added Tax (VAT) administrative burden for certain terminal markets in order to help them maintain their competitiveness, particularly with regard to non-EU markets.

In May, the Court of Justice of the EU (CJEU) concluded its infraction proceedings between the European Commission and the UK on its tax framework for terminal markets. The CJEU found that the UK, by broadening the TMO's scope to include several terminal markets not included in the original TMO (as amended in 1975), had breached its obligations.

LBMA is working with industry experts and HM Treasury to clarify any potential implications on the precious metals markets. At the date of publication, there are no changes to the current VAT treatment of precious metals and, from January 2021, the UK will not need to comply with any EU judgment or legislation.

LONDON OTC MARKET REVIEW

Last year, LBMA launched a review of the Market Making membership category and its requirements. With recent changes in market conditions and liquidity, LBMA has additionally sought to gain views from its trading members on this and other market-related subjects.

Over a series of member meetings, LBMA has gained insight into some of the issues most concerning members and potential solutions. The subject matter has ranged from pre-trade transparency and liquidity to costs arising from new prudential regulations such as the Net Stable Funding Ratio (NSFR), the Initial Margin Rules for non-centrally cleared derivatives and the Standardised Approach Counterparty Credit Risk (SACCR). The aim of the market review is to create transparent, fair and efficient solutions.



GLOBAL PRECIOUS METALS CODE

During the uncertainty seen in the global markets related to COVID-19, precious metals market participants have faced considerable trading and operational challenges. In addition, market participants have dealt with potential lockdown or at least business continuity processes in some financial centres. Practical constraints alongside significant volatility and price movements have been notable in light of the continued disruption.

The Global Precious Metals Code sets out common principles to help to reduce the potential impact of this volatility on market functioning and market participants' execution outcomes. All market

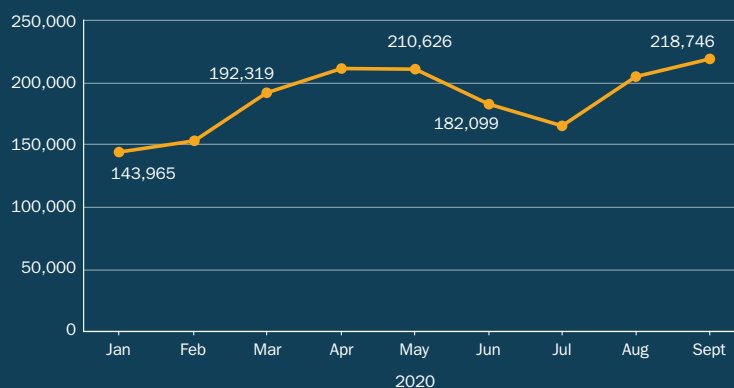
participants are encouraged to review their compliance with the Code and, in particular, the principles under the Business Conduct: Pre-Trade and Execution section. Market participants should be aware of how their actions can assist in ensuring that the global precious metals market remains robust, open, fair and appropriately transparent.

BENCHMARKS

The LBMA gold price auction, administered by IBA, now has 15 participants, and the silver price auction has 11 participants. This global range of participation helps to ensure that the benchmarks remain reliable, transparent and robust.

The LBMA gold and silver price auctions have performed extremely well in 2020, in spite of the global pandemic. Gold monthly volumes have increased from approx. 140k oz per auction at the start of 2020 to 219k oz per auction at the end of Q3 (see chart below). This reflects strong liquidity even through periods of extreme market volatility, including the gold price breaking through the \$2,000 barrier in August. In terms of participation, Citibank NA, London Branch joined both gold and silver auctions in July.

IBA Gold Auction: Volume of Ounces Settled per Auction



CONFLICT MINERALS REGULATION

From 1 January 2021, the Conflict Minerals Regulation will require all companies importing over 100kg of gold into the EU (including refiners, mints, banks, traders and retailers) to formalise their management systems in line with the OECD's Five-Step Due Diligence Guidance. Rather than prohibiting gold imports from certain areas, the Regulation requires importers to deal with gold from only responsible and conflict-free sources.

Ahead of the implementation date, the European Commission will be publishing several important resources to help with importers' compliance efforts. This includes a 'white list' of supply chain due diligence schemes recognised by the Commission to mirror the OECD Guidance. LBMA has applied to the Commission for assessment of the Responsible Gold Guidance (RGG). Recognition by the Commission of the RGG will ensure that Good Delivery refiners' ongoing and future responsible sourcing efforts are recognised and can be relied upon by upstream parties in their regulatory compliance efforts.

GOLD BAR INTEGRITY

This year, LBMA launched its Security Feature specifications, enabling vendors of security features for gold bars, as well as users of existing security features, to benchmark their respective solution. These form part of the Gold Bar Integrity (GBI) initiative to enhance the integrity of the physical gold market by ensuring gold bars entering the market are genuine and have a known provenance.

These Security Feature specifications will integrate with a bar database solution, currently under consultation, which will track and trace the lifecycle of a bar.

LBMA is also forming a Digital Gold Task Force, which will help to further explore market innovation related to digital gold receipts.

RESPONSIBLE SOURCING

HIGHLIGHTS OF 2020

Responsible Sourcing & Technology Virtual Summit 2020

In April 2020, LBMA launched a series of webinars and blogs to capture as much of the anticipated debate from the Responsible Sourcing & Technology Virtual Summit as possible, which was cancelled due to the pandemic. Prominent market representatives and stakeholders presented viewpoints around the challenges facing the precious metals market and explored the role of LBMA in facilitating solutions.

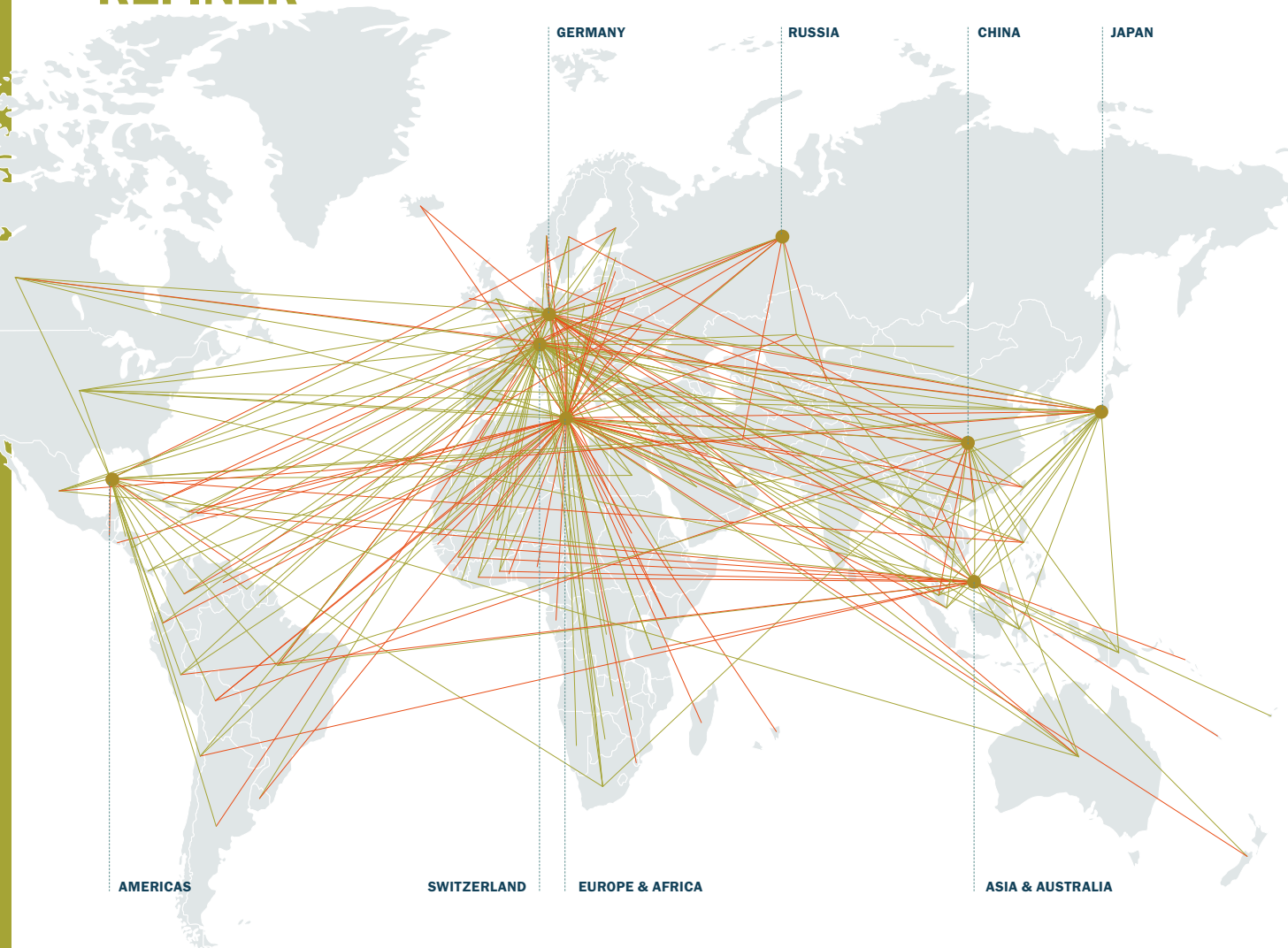
Responsible Sourcing Annual Report 2020

In September 2020, LBMA launched its first stand-alone Annual Responsible Sourcing Report. The aim of this annual report is to increase the transparency of the Responsible Sourcing Programme. It reviews the refiners' and auditors' performance during the previous 12 months and provides detail on the Country of Origin (CoO), where GDL refiners mine and refine gold around the world. The continuing aim is to provide information on the preceding 12 months and on how the Programme performed.

Responsible Sourcing Newsletter

In January 2020, the monthly Responsible Sourcing Newsletter was introduced to keep the precious metals industry updated on recent developments, projects and events related to responsible sourcing.

SOURCE TO REFINER



The publication of the aggregated data builds on the transparency and disclosure initiatives of the LBMA.



RESPONSIBLE SOURCING PERFORMANCE 2019

Gold

2019 was the first year for all Good Delivery List (GDL) refiners to implement the changes that were introduced in version 8 of the Responsible Gold Guidance (RGG). This version expanded the definition of due diligence by requiring refiners to not only

assess risks identified in the OECD Due Diligence Annex II, regarding money laundering, but also to include an assessment of the Environmental, Social and Governance (ESG) responsibilities. The first round of audits for all refiners reflecting the implementation of these changes will be submitted in 2020.

In 2019, no GDL refiner was moved to the Former List for failure to comply with the Responsible Sourcing Programme. Whilst there were several escalations during the year, each one was addressed appropriately, with full co-operation from the GDL refiner in question. No zero-tolerances were reported in 2019. However, 2019 saw an overall increase in medium-risk and high-risk non-conformances for responsible gold audits. The two high-risk non-conformances for gold related to one GDL refiner and all the medium-risk non-conformances for gold related to two GDL refiners.

Silver

2019 also saw the first round of audits for GDL refiners against the Responsible Silver Guidance (RSG). As expected, some refiners had a steeper learning curve than others, in particular, those that do not also refine gold. But the overwhelming majority of refiners embraced this work as an important part of being an internationally accredited refiner.

See the Responsible Sourcing Annual Report for a breakdown of the most common types of non-conformances raised against the five steps of the RGG and RSG.

IMPLEMENTATION OF ESG REQUIREMENTS

2019 was the first year for all Good Delivery List (GDL) refiners to implement the changes that were introduced in version 8 of the Responsible Gold Guidance (RGG).

To summarise, version 8 of the RGG expanded the definition of due diligence by requiring refiners to not only assess risks identified in the OECD Due Diligence Annex II, regarding money laundering, but also to include an assessment of the Environment, Social and Governance (ESG) responsibilities.

Under step one, of the RGG, the refiner's due diligence for its supply chain must include a policy that extends to ESG requirements. Under this step, refiners are asked to strengthen ESG engagement with gold-supplying counterparties and, where possible, assist gold-supply counterparties build due diligence capacities. This would also capture the use of mercury in Artisanal and Small-Scale Mining (ASM), with the expectation that GDL refiners assist in establishing processes to eliminate its use.

Under step two, refiners must assess the risk in the supply chain, which includes assessing the environmental policies and practices of the producers, both in relation to Artisanal and Small-Scale Mining (ASM) and Large-Scale Mining (LSM). The guidance also gives more detail on this assessment, depending on the nature of the material being sourced (ASM/LSM).

Under step three, once the risks have been identified, the refiner is required to make sure it has a management strategy to respond to identified ESG risks. GDL refiners are also required to provide evidence of their sustainability policy and its effect on any associated initiatives throughout their supply chain.

Audit reports reflecting implementation of these changes will be submitted in 2020 and discussed in more detail in the next Responsible Sourcing Annual Report.

ARTISANAL AND SMALL-SCALE MINING (ASM) and COVID-19 CALL TO ACTION

Over the years, there has been a growing focus on ASM, with LBMA at its 2019 annual conference in Shenzhen, announcing its 'Call to Action' supporting the refining of gold from responsibly mined Artisanal and Small-Scale sources.

The ASM sector employs approximately 42 million people, with more than 150 million people worldwide depend on mining to make a living.

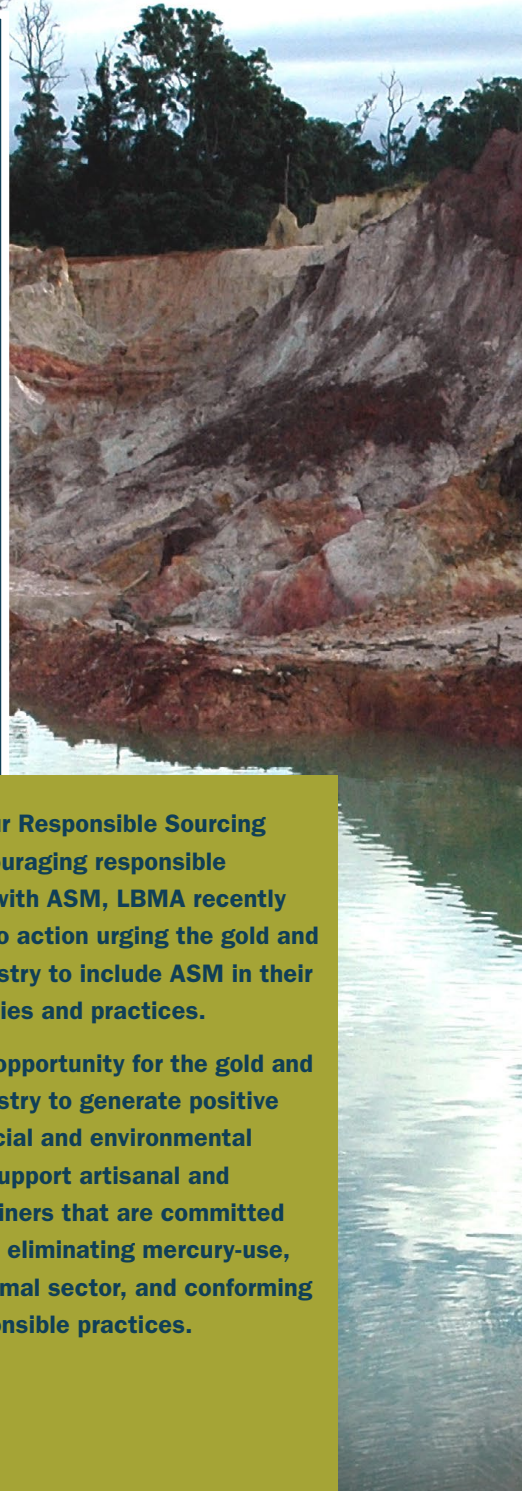
The refining industry is highly competitive, and the amount of available, non-captive feedstock means that ASM can provide a much-needed source of refining material. It is therefore clear that support for legitimate ASM initiatives is even more critical during the Covid-19 crisis and resulting higher gold prices. LBMA published a report entitled: *Emergency Support Needed for Artisanal/Small Scale Miners* in June 2020, which called on "...industry, government and civil society to urgently work together to support and protect these vulnerable communities".

LBMA is a project partner in the Responsible Artisanal Gold Solutions Forum (RAGS), which is a multi-stakeholder coalition seeking to address critical barriers to the production and trade of artisanal gold from the DRC. LBMA was actively engaged in developing the CRAFT (Code of Risk-mitigation for ASM engaging in Formal Trade) standard and fully supports initiatives enabling refiners to establish responsible, sustainable supply chains across all forms of mining.

LBMA has also developed an ASM Self-Assessment Questionnaire to aid refiners in their endeavours to source ASM gold.

In line with our Responsible Sourcing Strategy encouraging responsible engagement with ASM, LBMA recently joined a call to action urging the gold and jewellery industry to include ASM in their sourcing policies and practices.

The greatest opportunity for the gold and jewellery industry to generate positive economic, social and environmental impact is to support artisanal and small-scale miners that are committed to reducing or eliminating mercury-use, joining the formal sector, and conforming to other responsible practices.



AUDITOR REVIEW

The ongoing review and enforcement of Approved Auditor requirements are important elements for the credibility of our Programme. LBMA engages with auditors on our Approved Auditors List through training sessions and webinars, but most importantly through robust quality control.

LBMA undertakes an annual review of each auditor during which we look to make sure they remain independent and have appropriate capacity, as well as robust quality assurance procedures. As a result, we limited the geographic remit and scope of engagement for auditors on our Approved Auditor List in 2020. These measures provide an additional control to ensure that the most appropriate auditor is appointed to suit a refiner's business model.

The 2019 review also resulted in the removal of five approved audit entities and one approved lead auditor to ensure the Approved Auditors List can continue to be relied upon to provide confidence to the market in 2020.

You can view the updated Approved Auditors List for 2020 on our website.

LBMA continued to collaborate closely with the Responsible Minerals Initiative (RMI) and Responsible Jewellery Counsel (RJC) to identify opportunities for joint training of auditors. In June 2019, a full-day advanced auditor training course was held in London in conjunction with the OECD, RMI and RJC. In August 2019, LBMA launched a free interactive training module on the OECD Due Diligence Guidance developed in collaboration with the RMI and RJC.

FUTURE DEVELOPMENT: RESPONSIBLE SOURCING STRATEGY 2020-22

The Responsible Sourcing Strategy reaffirms LBMA's commitment to the implementation of the *OECD Due Diligence Guidance* with the intention to position LBMA as a leader for the continuous improvement of standards to ensure a sustainable precious metals market.

LBMA has identified five focus areas, which underpin the priorities for the Responsible Sourcing Programme for the next three years. These are central to building long-term trust and credibility in the industry globally.

FOCUS AREA 1 Value chain accountability – building leverage

FOCUS AREA 2 Advancing standards – defining best practice

FOCUS AREA 3 Transparency – improving disclosure and reporting

FOCUS AREA 4 Audit Programme – enhancing credibility

FOCUS AREA 5 Artisanal Small-Scale Mining (ASM) – engaging responsibly



See the Responsible Sourcing Annual Report for key actions and deliverables against our Strategy.

OUTREACH

Throughout 2019-20, the LBMA Executive undertook extensive outreach across the world to inform, educate and engage key stakeholders on the Responsible Sourcing Programme. By attending events hosted and attended by stakeholders from across the supply chain, LBMA is not only able to raise the profile of the Programme but also gather valuable feedback.



INTERNATIONAL BULLION CENTRES – RECOMMENDATIONS

As part of our efforts to continuously improve standards, LBMA has developed recommendations for International Bullion Centres to adopt in order to support global responsible gold supply chains. The scope of the International Bullion Centres recommendations focuses on the following strategic priorities:

- responsible sourcing of recycled gold,
- controlling cash transactions and mitigating the risk of potential money laundering, and
- support for legitimate Artisanal and Small-Scale Mining (ASM).

LBMA will be calling on pre-identified International Bullion Centres to support five key recommendations, that will focus on effective scrutiny and verification of local and regional supply chains; effective regulation of local and regional supply chains; effective enforcement powers; effective co-operation with local, regional and international organisations; and the development of ASM specific guidance to support and further legitimate ASM supply.

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. The ultimate decision to remove a member/GDL refiner for non-compliance with the Membership Rulebook and/or GDL Rulebook, like with the Executive Board Directors as well as the independent Non-Executive Directors (NEDs) of the Board. Elected members of the Board are not involved in any decision involved a member and/or GDL Refiner.

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 REVIEW PROCESS

The Incident Review Process (IRP) comprises 11 steps for LBMA to take in response to any incidents.

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.

The outcome of an IRP can involve a refiner being removed from the Good Delivery List. Other outcomes include an independent auditor developing a Corrective Action Plan for the refiner's future activities, or a re-audit of the refiner's activities that were originally reviewed.

Once an outcome has been agreed, LBMA will mirror its earlier communications strategy to ensure all relevant parties are informed of the decision made.

For further details regarding the IRP please refer to section 7 (pages 29-30) of LBMA's 2020 Responsible Sourcing Annual Report.



For further information on IRP case studies please refer to page 20 of the Responsible Sourcing Annual Report.

PHYSICAL Market Report

IMPROVEMENTS TO THE CURRENT AND FORMER GOOD DELIVERY LISTS

Last year, in December, we made a number of improvements to the design of the Current and Former Gold and Silver Good Delivery Lists on our website. We've also added additional information to provide greater clarity.

NEW FORMER LIST EXPLANATION

We've added information to explain why a refiner has been transferred to the Former List and when a refiner has been suspended pending the outcome of a review. In respect of the latter, the refiner will continue to appear on the Current List; however, its Listing will be marked as suspended. All changes to Bar Markings and changes to the name of a refiner have been removed from the Former List and, instead, are now included in the Current List (under the category of History).

GOLD	Shenzhen Cuilu Gold Refinery Co., Ltd
	Dongwu Gold Group Co., Ltd
	Tau-Ken Altyn
	Metalor Precious Metals (Suzhou) Ltd
SILVER	Guangxi Nandan Nanfang Metal Co., Ltd

The recent trend has been changed and there is now a strong interest to list from China, for both silver and gold. Current and pending applications are also evenly split between gold and silver refiners.

NEW RULES DOCUMENT

A new Rulebook was launched in December.

Last year, the Executive and the LBMA Physical Committee discussed a full review of the current Good Delivery List Rules and the development of a Rulebook that covers all aspects of being a Good Delivery List refiner. This document will ensure consistency and transparency.

There was significant input from the LBMA Executive, LBMA Physical Committee – particularly its Chairman – and other stakeholders.

The most significant change to the Rules is the enforcement of the Tangible Net Worth requirement of £15 million. Please refer to Section 3: Quality Assurance/Section 3.1: Throughput and Tangible Net Worth (TNW), for full details.

GOOD DELIVERY RULES – CHINESE VERSION LAUNCHED JUNE

To facilitate better communications between LBMA and the Chinese precious metals market, we have been working closely with the Shanghai Gold Exchange and Good Delivery Facilitators to translate the LBMA Good Delivery Rulebook into Chinese. This will provide additional support to Chinese refineries that wish to apply for Good Delivery Listing, in addition to providing continued support to our existing Chinese refiners on the Gold and Silver Good Delivery Lists.

VAULT TRAINING (VOAS)

LBMA launched its Vault Operators Training in April. Vaults globally can now provide training to their operators using LBMA's new universal online platform. The Vault Operators Training provides all the learning resources and assessment tools needed to ensure vault operators apply the same high standards as the London Vaults.

PROFICIENCY TESTING (INCLUDING TREND ANALYSIS)

The results of the ninth round of the Proficiency Training (PT) Scheme were published in January, with 50 labs participating in gold and 46 in silver.

The performance of laboratories participating in the LBMA PT have been increasing steadily.

LBMA CERTIFIED REFERENCE MATERIALS (CRMS)

The LBMA Reference Materials Steering Committee has produced the second set of silver CRMs suitable for the validation of analytical methods as well as for calibration of analytical instruments.

These were manufactured by Tanaka Kikinzoku K.K. of Japan and certified with the support and co-operation of some of the world's leading precious metals laboratories.

The silver CRMs are sold as sets of two units.

The Gold Certified Reference Materials are in the process of being analysed for homogeneity and the elements contained. These will be available to purchase very soon.

REFINER NUMBERS



There are now 104 refiners on the Good Delivery Lists (GDL). We have 70 refiners listed for gold, 83 listed for silver and 49 refiners appear on both Lists. There is still a large number of refiners attempting to get their brands onto the Lists and there are currently six active applications, with half that number pending. There have been two removals due to operations closure or issues.

GEOGRAPHICAL BREAKDOWN - WHERE ARE THE REFINERS LOCATED?

Area	Gold and Silver	Gold Only	Silver Only	Total
Africa	1	0	0	1
Americas	7	1	1	9
Asia	29	15	26	70
Europe	11	4	7	22
Oceania	1	1	0	2
Total	49	21	34	104

REFINED PRODUCTION 2018 (TONNES)

	2013	2014	2015	2016	2017	2018
GOLD	4,579	4,921	5,034	4,860	4,881	4,548
SILVER	28,013	31,131	32,355	31,874	30,569	29,461



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.

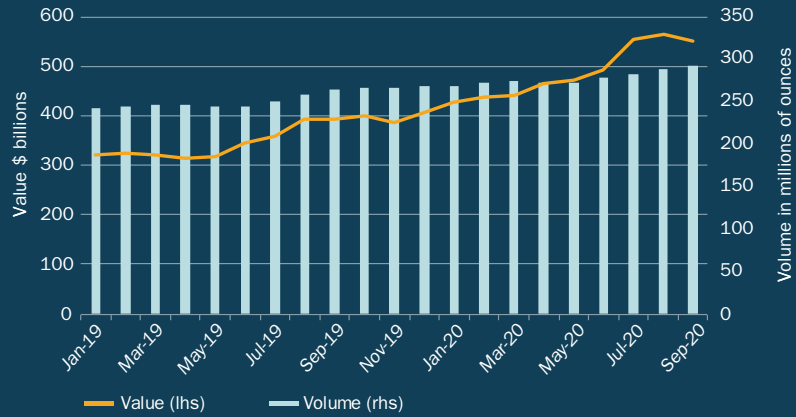
HIGHLIGHTS

In 2020 the net daily gold volumes averaged 21.9 million ounces with a corresponding value of \$37.8 billion.

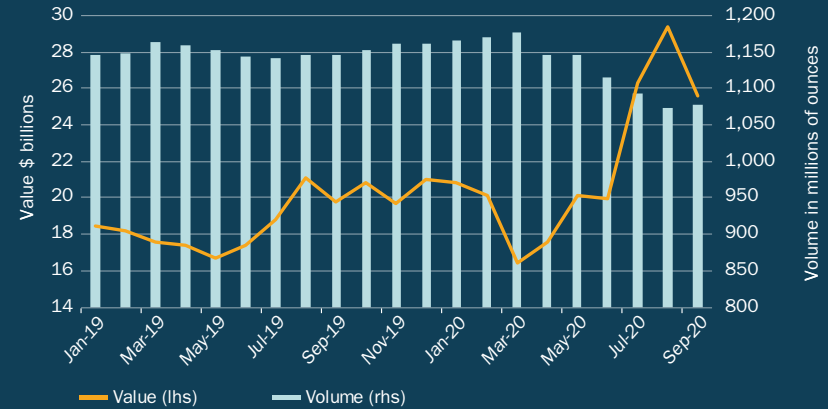
For silver the net daily average volume was 311.2 million ounces with a corresponding value of \$6 billion.

VAULT HOLDINGS

London Gold Vault Holdings



London Silver Vault Holdings

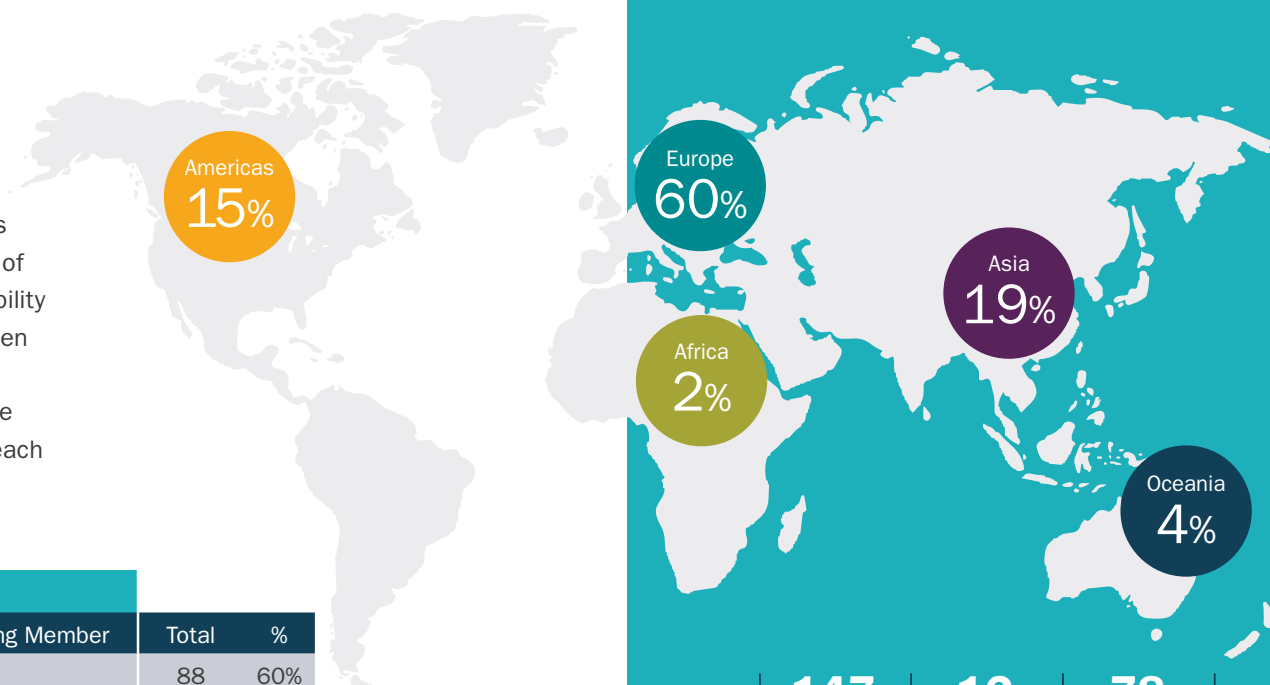


The graphs show the monthly holdings of gold and silver held in London vaults both by value (\$ billions) and volume (millions/oz).

In terms of weight, gold holdings have grown steadily to their current record levels. Silver holdings have decreased significantly during the COVID-19 Pandemic.

MEMBERSHIP

LBMA membership continues to go from strength to strength as the Executive strives to reach out and engage with every sector of the global over-the-counter (OTC) market. The quality and availability of information and support to members and the market have been substantially improved, evidenced by the success of the LBMA webinar programme across 2020. LBMA has adjusted well to the COVID-19 situation, moving quickly from physical to virtual outreach across all market centres.



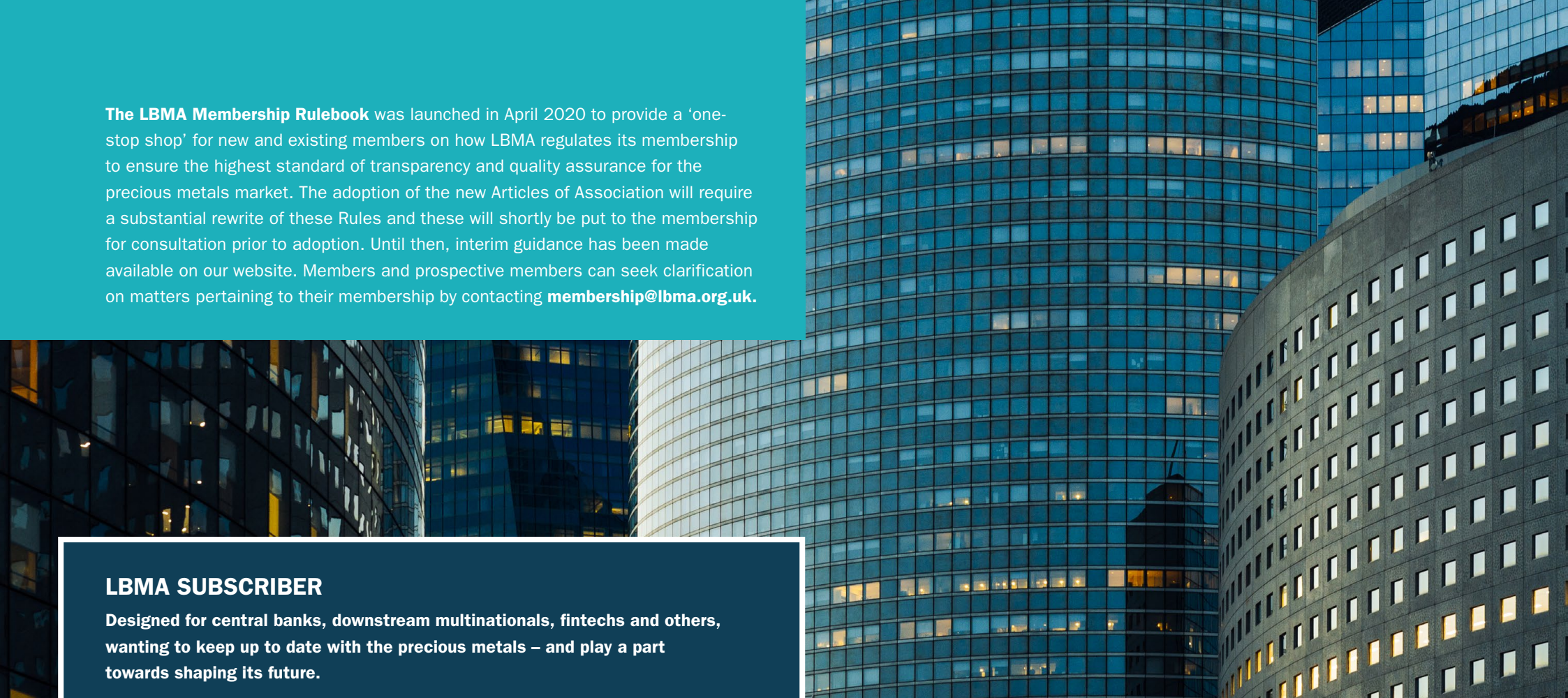
Region	MEMBERS			Total	%
	Full Members	Affiliate Member	Market Making Member		
Europe	53	24	11	88	60%
Americas	6	15	1	22	15%
Oceania	6	0	0	6	4%
Asia	11	17	0	28	19%
Africa	2	1	0	3	2%



LBMA membership classifications have changed, driven by the members' decision to adopt the new Articles of Association taken in October 2020. This represents the biggest shake-up of the membership offering since LBMA was formed in 1987. It delivers a more diverse and flexible membership structure, coupled with enhanced benefits and engagement opportunities across the whole membership structure. The key change is the replacement of the old Associate classification with that of Affiliate Member. Initially, all former Associates will be reclassified to the new Affiliate Member class.

Further information is available on our website www.lbma.org.uk/membership and every Affiliate Member will be contacted separately to explain how the changes will affect them.

In June 2020, the LBMA Subscriber offering was launched. This offering is outside of our membership structure. It has been designed for organisations such as central banks, downstream multinationals, Fin Tech companies and others that want to keep up to date with the global OTC market, but do not necessarily have a direct bullion-based relationship with its participants.



The **LBMA Membership Rulebook** was launched in April 2020 to provide a ‘one-stop shop’ for new and existing members on how LBMA regulates its membership to ensure the highest standard of transparency and quality assurance for the precious metals market. The adoption of the new Articles of Association will require a substantial rewrite of these Rules and these will shortly be put to the membership for consultation prior to adoption. Until then, interim guidance has been made available on our website. Members and prospective members can seek clarification on matters pertaining to their membership by contacting membership@lbma.org.uk.

LBMA SUBSCRIBER

Designed for central banks, downstream multinationals, fintechs and others, wanting to keep up to date with the precious metals – and play a part towards shaping its future.

Market development – Gain insight and participate in working groups to support market development initiatives. Including the work on Gold Bar Integrity, Digital Gold and Responsible Sourcing.

Have a seat at the table – Shape the future direction of the precious metals market via the development of global standards and solutions.

Grow your network – Discounts on LBMA events and training, platforms (Global Precious Metals Conference, Seminars, Assaying & Refining Conference, Vault Operators Training etc.)

Information services – Stay up to date with advice and guidance on a range of market topics, currently only available to Members.

TRAINING AND EDUCATION

As part of the LBMA Strategy to expand its offering to members and the wider OTC precious metals market, two new training packages have been launched. In April 2020, the *Vault Operator Training e-platform* was launched to offer the opportunity to learn the skills that underpin the gatekeeper function of the London market. In July 2020, the *An Introduction to Loco London* virtual training course was launched, and it has proven to be a huge success, receiving excellent reviews from a diverse range of delegates. Plans are already in place to create and deliver a follow-on course, *Using Loco London*, in early 2021. For more details, go to the events page on our website: lbma.org.uk/events.

VAULT OPERATOR TRAINING – E LEARNING

An integrated learning platform with an e-learning course that provides access to the learning resources and assessment tools necessary to ensure that your vaulting services operate at the same high standards as the London Vaults.

AN INTRODUCTION TO LOCO LONDON

Expand your business understanding of how the Loco London market works

A course provided by LBMA and designed specifically to get you up to speed if you:

- **Have exposure to precious metals** and need to understand how the market operates and how to manage risk.
- **Interact with the precious metals markets** in any way and would like to understand more about how they work.
- **Have recently joined an LBMA member organisation**, or transferred to the precious metals area from another part of that organisation.

What you will learn:

How the global precious metals market, centred in London, operates.

How the clearing and settlement process functions.

How the Good Delivery Lists assure metal quality.

How the precious metals auctions work and how to use bullion derivatives.

FLEXIBLE E-LEARNING

Developed and tested with vaults, it allows vault staff to demonstrate their capabilities across seven e-learning modules:

1. Receiving a shipment
2. Understanding LBMA resources
3. Unpacking, verifying, weighing and storing bullion
4. Databases and spreadsheets
5. Manual handling
6. Preparing and packing bars
7. Facilitating bar audits



BOARD & GOVERNANCE

In July we appointed Isabelle Strauss-Kahn, formerly of the World Bank and the Banque de France (BDF), as our third Independent Non-Executive Director. She brings with her a wealth of experience from the central banking sector and will serve to enhance the oversight of and the communication with Sub-Committees and Working Groups.

At the recent AGM, LBMA Members approved a number of changes to LBMA's Articles of Association, including changes to the membership structure (see Membership section on page 20 for further details), removing conflicts of interest for Board members and allowing LBMA to host virtual AGMs in the future.

These changes introduce greater transparency, stronger governance and align LBMA with industry best practice. It will be necessary to reflect these changes by updating the Member Rulebook. The Rulebook will also be amended to reflect any feedback from Members arising from the recent consultation.

LBMA BOARD



DR PAUL FISHER
Chairman



ANDREW QUINN
Non-Executive Director



ISABELLE STRAUSS-KAHN
Non-Executive Director



RUTH CROWELL
Chief Executive



SAKHILA MIRZA
General Counsel &
Executive Board Director



MEHDI BARKHORDAR
Vice Chairman
MKS PAMP Group



DAVIDE COLLINI
Head of EMEA Metals
and Agricultural Sales
BNP Paribas



FANG WENJIAN
CEO
Bank of China (UK)
Limited



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



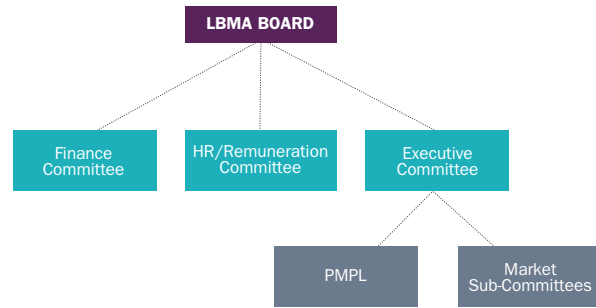
RAJ KUMAR
Managing Director
ICBC Standard Bank Plc



PAUL VOLLER
Managing Director
Global Head of
Precious Metals HSBC

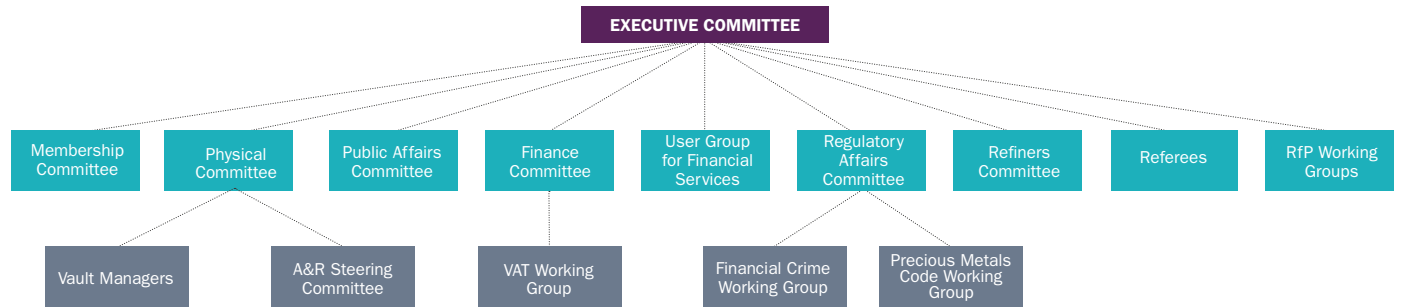
INDEPENDENT BOARD

Board sub-committees with delegated powers



MARKET SUB-COMMITTEES

Sub-Committees & WORKING GROUPS



LBMA EXECUTIVE



FINANCIAL Overview

2019 was yet another good year for LBMA financially in which we returned a modest profit of £65.3K versus a loss in 2018. PMPL continues to go from strength to strength, returning a profit of £296.8K, up 46.6% on last year.

Revenue was up by £1.08 million across the year and expenditure across the main LBMA business areas is largely in line with that of 2018. The PMPL

**REVENUE WAS UP
£1.08m
ACROSS THE YEAR** return from Benchmark data sales continues to grow, up £314K on last year, and has more than covered the £260.2K

expenditure increase driven by essential market development projects and the Gold Price 100th Anniversary celebrations.

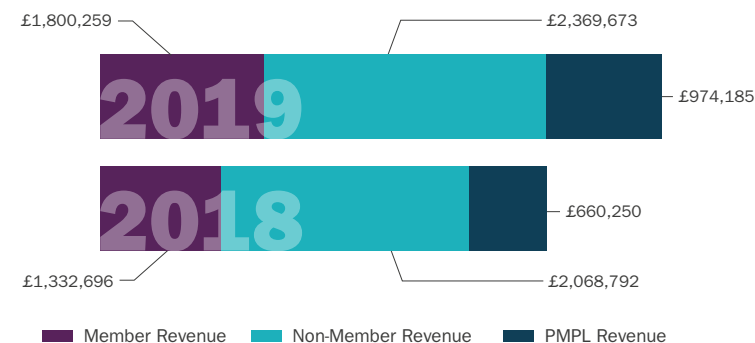
COVID-19

COVID-19 has required LBMA to execute contingency plans to manage risk and maintain financial stability. Revenue in 2020 will be down by £1.2 million on that received in 2019, and expenditure has been reduced to focus on the delivery of market and business priorities. Notwithstanding these measures, there is expected to be a financial impact at the end of 2020 where LBMA is forecasting a loss of £310K. At the AGM in September 2020, members were briefed on this position, the need to re-establish reserves and the requirement to properly resource the three-year market development programme, which will lead to the first real increase in fees for 2021 since the 1990s.

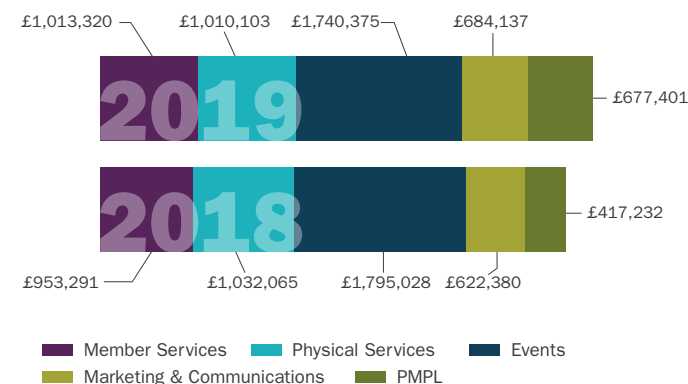
INCOME	2018	2019	VARIANCES
Member Revenue	£1,332,696	£1,800,259	£467,563
Non-Member Revenue	£2,068,792	£2,369,673	£300,880
PMPL Revenue	£660,250	£974,185	£313,935
Totals	£4,061,738	£5,144,116	£1,082,378
		% Variance	26.65%

EXPENDITURE	2018	2019	VARIANCES
Member Services	£953,291	£1,013,320	£60,029
Physical Services	£1,032,065	£1,010,103	-£21,962
Events	£1,795,028	£1,740,375	-£54,653
Marketing & Communications	£622,380	£684,137	£61,757
PMPL	£417,232	£677,401	£260,169
Totals	£4,819,996	£5,125,335	£305,339
		% Variance	6.33%

LBMA REVENUE ANALYSIS



LBMA EXPENDITURE ANALYSIS



2019 LBMA Charitable Donations



For many years now, LBMA has set aside a fund which it uses to support charitable causes. In 2019, LBMA split its fund equally between four noble charities: Isabelle Hospice, The Ghana Education Project, The Jamil & Nyanga Jaward Foundation in Sierra Leone and Alzheimer's Research UK.

Global Precious Metals Conference 2021



LONDON
PLATINUM &
PALLADIUM
MARKET



3 | 30+ | 300+ | 5*

Days

Expert Speakers

Organisations

Venue

REGISTRATION NOW OPEN

LISBON

19 - 21 September 2021, EPIC SANA Lisboa Hotel, Lisbon, Portugal