



How LBMA's Responsible Sourcing Guidelines Provide Assurance for Gold (and Silver)

Sakhila Mirza

Executive Board Director and General Counsel LBMA

PRECIOUS METALS – A GLOBAL MARKET

Agenda

- ▶ The role of the LBMA
- ▶ Good Delivery List
- ▶ Responsible Gold Guidance
- ▶ Due Diligence
- ▶ Incident Management Process
- ▶ Further Developments

ROLE OF LBMA

Trade Association

Maintaining & Enhancing the efficiency of the precious metals market

▶ Accreditation:

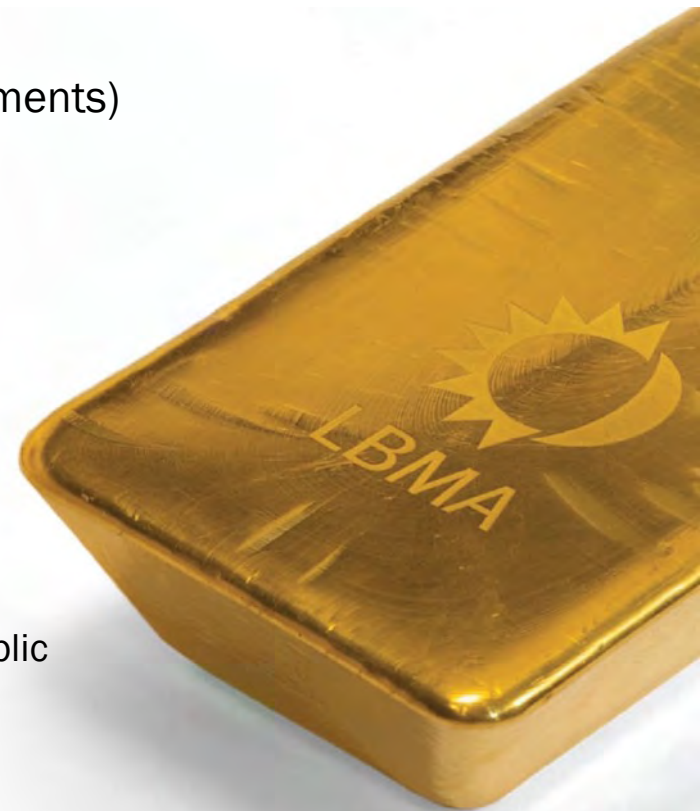
- ▶ Metal Quality – The Good Delivery System
- ▶ Membership (VAT benefit) – Banks, investors
- ▶ GDL Accreditation (accepted by international governments)
- ▶ Due Diligence is paramount

▶ Market Development

- ▶ Regulatory Response
- ▶ Global Standards
- ▶ Statistics, Documentation & Information

▶ Communication

- ▶ Contacts with Regulators and government agencies
- ▶ Principal OTC Market contact for media, investors & public



LBMA GOOD DELIVERY LIST

Includes the world's pre-eminent refiners of gold and silver located in 31 countries.

Annual production of 71 LBMA Gold Refiners
~85-90% of annual world gold production.

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.



LBMA RESPONSIBLE SOURCING

Ensuring long term integrity of the wholesale gold market

LBMA Responsible Gold Guidance

- ▶ OECD + KYC, AML + mandatory audits = LBMA Responsible Gold
- ▶ Encourages engagement
- ▶ Tailored due diligence for ALL feedstock (mined, ASM & recycled)
- ▶ Independent 3rd party audit
- ▶ Emphasis on Public Reporting
- ▶ Refiners Toolkit

DUE DILIGENCE

An overview of the market

- ▶ Responsible Sourcing:
 - ▶ Conflict Minerals
 - ▶ Anti-Money Laundering
 - ▶ Terrorist Financing

- ▶ However, other legal issues:
 - ▶ Global Sanction Lists
 - ▶ Anti Bribery and Corruption
 - ▶ Human Slavery Act


- ▶ All companies should:
 - ▶ Have policies and procedures to address the risks
 - ▶ Monitoring and surveillance to identify suspicions
 - ▶ Report on suspicions





TOOLKIT

Available Tools – For Due Diligence


Recycled Gold


 Due Diligence Checklist


 KYC Questionnaire

 Assessment Forms

Mined Gold (Large scale, medium & small scale)

 Due Diligence Checklist

 KYC Questionnaire

 Assessment Forms

- ▶ These are optional tools which refiners may choose to use in conducting due diligence.
- ▶ The forms are intended to support LBMA refiners implementation of the LBMA RGG Guidance and simplify the due diligence process.
- ▶ It is also intended to assist auditors in their interpretation of the LBMA Responsible Gold Guidance and ensure consistency

DUE DILIGENCE APPROACH

Continuously Review and Monitor

Auditors

- Review, approval and training of auditors.
- From initial application, to annual review the 'fitness to practice' of auditors is always in focus.

Incident Management

- Procedure in place for any incidents (media reports etc.) which occur outside of the regular RGG review cycle.
- This may involve the requirement for further conversation or assurance from auditors (11 Steps)

Report reviews & Corrective Actions

- Reports which may require complex decision making are referred to the Audit Review Panel

INCIDENT MANAGEMENT PROCESS

11 Steps

This procedure is invoked in response to a particular stimulus of a reputational nature; this includes any incident that affects the credibility of the GDL

Iterative process, particularly in situations where new information is produced or the situation escalates or deteriorates.

Any public disclosure by the 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 Anti-Money Laundering (AML), step **6) Refiner Contact** may be omitted and the relevant specific action taken.

1. Receipt/Logging of Complaint/Issue

2. Media and Market Review

3. RGG Audit (or equivalent) Review

4. Auditor Review and Interaction

5. Legal Review

6. Refiner Contact

7. Physical Committee Reporting and Escalation and/or Legal Consultation

8. Action/Sanction

9. Public Disclosure

10. Lessons Learnt

11. LBMA Communication



Responsible Silver Guidance

Implementation process

- ▶ RSG becomes mandatory for all GDL silver refiners from 1 January 2018
- ▶ Perform a gap analysis between existing management systems and the RSG requirements
- ▶ 2018 will be viewed as the implementation year as per the introduction of Responsible Gold Guidance



OECD ALIGNMENT ASSESSMENT (PILOT)

Internationally recognised global framework



- ▶ How far is the LBMA RGG Aligned with the OECD Due Diligence Guidance
- ▶ Encourages further development of the LBMA programme
- ▶ Provides recommendations
- ▶ Next steps: recognition under the **EU Conflict Minerals Regulation** (requires mandatory 3rd party audit for all importers of gold into EU – to be implemented 2021)



TRANSPARENCY: VAULT HOLDINGS



London Market

- 7,449 tonnes of gold, valued at \$298 billion.
- This equates to approximately 596,000 gold bars, enough to fill 86 of the iconic Italian Fiat 500
- All responsibly sourced from GDL refiners
- Market confidence



Sakhila.Mirza@LBMA.org.uk