

Regulation Update

By Sakhila Mirza, LBMA General Counsel

Responsible Gold Guidance (RGG)

Refiner audit reports

It has been three years since the LBMA launched its Responsible Gold Guidance (RGG). Both the refiners and auditors have worked hard during this time to understand the requirements and to ensure the LBMA RGG has been implemented successfully. The LBMA RGG extends the OECD Gold Supplement for Refiners and builds on existing Anti-Money Laundering and Know Your Customer management systems and auditing practices. It also makes what is a voluntary system (the OECD Guidance) mandatory for all LBMA Good Delivery gold refiners wishing to be accredited for the London Bullion Market. As per the RGG, all refiners have three months from the end of their financial year to submit the independent audit report to the LBMA. For most refiners, this deadline for the 2014 production is March 2015. The LBMA is continuing to receive audit reports. We are hoping that by the next edition of the *Alchemist*, we can report that the majority of the Good Delivery refiners have successfully passed.

Fair Effective Markets Review

The Fair and Effective Markets Review was set up by the Chancellor and the Governor of the Bank of England on 12 June, 2014. It is a joint review chaired by the Bank of England's Deputy Governor for Markets and Banking, Nemat (Minouche) Shafik, with Martin Wheatley (Chief Executive Officer, FCA) and Charles Roxburgh (Director General, Financial Services, HM Treasury) as co-chairs. The full consultation document, entitled 'How fair and effective are the fixed income, foreign exchange and commodities markets?' examines what needs to be done to reinforce confidence in the fairness and effectiveness of the Fixed Income, Currency and Commodities (FICC) markets. The precious metals markets are referred to a number of times throughout the Review. The LBMA response is available on the Bank of England website for public review

OECD Forum on Responsible Mineral Supply Chains, 4-6 May, 2015

LBMA members, particularly banks and refiners, are encouraged to attend this event in Paris. Please contact the LBMA for further details at regulatory.affairs@lbma.org.uk

EU Update

The LBMA Executive received an invitation from the secretariat of the Committee in International Trade of the European Parliament (INTA) to take part in the special technical briefing with external experts on practical aspects of due diligence and responsible sourcing of minerals, in January

(<http://www.bankofengland.co.uk/markets/Documents/femr/lbma.pdf>)

In summary, the LBMA indicated that there was no need for further regulation but supported the need for further transparency through post-trade reporting. The LBMA also took the opportunity to describe the characteristics of the precious metals markets and the controls that exist to help the market to operate against a fair and effective framework. The Review will be able to take the existing framework into consideration before coming out with its proposals later this summer. The LBMA has welcomed the opportunity to provide further support and advice on the precious metals markets and to work closely with the Review to help implement its agenda. This all ties in very closely with the LBMA strategy which is featured in the Editorial on page 26.

Other regulatory news...

Basel III: The LBMA is working with the World Gold Council and has launched a survey for its member banks to complete. The survey is focused on getting actual data from the banks in order to defend the position that by imposing a fixed Required Funding Ratio of 85%, it would have a significant impact on the banks. Gold is a unique commodity and its specific attributes should be taken into account.

Financial Conduct Authority (FCA):

Benchmark Consultation: The LBMA submitted a response to the EU on the FCA Consultation Paper (CP) on Benchmarks. The CP was focused on amending the existing FCA rules that were written for LIBOR by extending the scope to include seven additional benchmarks, which include the LBMA Silver Price and the LBMA Gold Price. The CP drew a distinction between benchmarks that had submitters and therefore needed to be regulated directly, and those benchmarks that had non-submitters and therefore did not need to be regulated. The LBMA in its reply asked for further clarity on the proposal under the CP.

2015. The LBMA was given the opportunity to explain the detail of its RGG and to share our experience of implementation. It was explained that refiners have an incentive to implement and comply with the LBMA's programme, because otherwise they would be removed from the Good Delivery List. The LBMA is of the view that industry programmes should be recognised by the European regulators, under their regulation on conflict minerals. If the European Union proposed another audit independent of what the LBMA has in place, it would undermine the credibility of the industry programme.

Obituary - Tony Baird



It is with deep regret to report the passing of Tony Baird on Sunday 12th April, 2015. Tony was the founder and Chairman of Baird & Co, a stalwart of the London bullion market who regularly attended industry events including those organised by the LBMA. He will be sadly missed. Tony Dobra, Executive Director of Baird & Co, recalls his life.

Antony Stephen Baird was born in 1942 at the family ancestral home in Lanarkshire in Scotland. Shortly after the war the family moved to London. After leaving school, Tony set off to see the world with just his guitar for company. Having reached Perth, Australia, he settled down and took up ocean yacht racing, taking part in many famous events including the Sydney to Hobart race. On returning to London, he took up motor racing, competing in ultra-light weight Berkeley sports cars.

Tony began bartering coins at school but it was not until 1967, and the launch of the South African krugerrand, that he took up coin dealing as a full time occupation. By the mid 70s Tony had established a permanent office in Stratford and would often drive to Switzerland in his E-Type Jaguar to collect thousands of gold coins. In 1982 VAT was applied to gold coins and the subsequent collapse of the UK gold coin market encouraged Tony to diversify in to other gold products, particularly jewellery manufacturing and more recently producing small gold bars. He was instrumental in designing Baird & Co's new refinery and factory premises in Beckton, which opened in 2008.

Tony leaves his wife Lorena and two sons Alex and Carlos. A very small private funeral has been arranged although a party will be held on 10 September, 2015 to celebrate his life and LBMA Members are welcome to attend.

Obituary - Madhusudan Daga

By Stewart Murray, LBMA Good Delivery Consultant



Daga-ji on home ground at the Zaveri Bazaar, Mumbai in 1994

26 December 1926 – 2 April 2015

The passing away of Madhusudan Daga – Daga-ji as he was affectionately known in the Indian bullion market – at the age of 88, is a very sad loss for all who knew and loved him. The Indian market now has to say farewell to its most knowledgeable and engaging observer.

In his long life, Madhusudan Daga played many parts and even for his friends in the bullion market, some of his previous roles may come as a surprise. Many are aware that he was honoured by the Indian government as a freedom fighter after independence in 1947. His contribution to the struggle (including the blowing up of railway lines) led to him being jailed by the British authorities and there was a delicious irony that the new Indian government subsequently awarded him a lifetime freedom pass on the Indian railway system. He went on to make great use of this pass during his career as a journalist and perhaps even more so as he developed into the Indian bullion market's most respected analyst, commentator and advocate.

What is much less known is that in his youth he went through a 'playboy' phase – when he produced a Bollywood film (with a well-known actor as its star), when he was a racehorse owner and, most surprising of all to those who knew him only in his mature years, when he was a whiskey drinker!

All this changed when he met his guru whose picture, surrounded by dried flowers, was the first thing that you would see on entering the small but welcoming apartment just behind Worli Seaface in Mumbai where Daga-ji lived until the end of his life. This meeting was clearly a transformative experience for him which ultimately led to his becoming the towering presence in the development of the Indian precious metal markets in the second half of the 20th century. Henceforth, he was a devout, teetotal, strict vegetarian whose career as a

journalist flourished in parallel with his growing interest in, and understanding of, the gold market in India.

During his purely journalistic career, he interviewed some very famous people, including Rajiv Gandhi. But gradually his interest focused more and more on gold and he began to develop a most amazing network of contacts throughout the country. Long before LinkedIn or Facebook (Mr Daga acquired his first computer when he was in his 80s), his little black book contained the names and addresses of many hundreds of people who were involved in every aspect of the market: ministers, bureaucrats, central bankers, bullion dealers and commercial bankers, jewellery manufacturers and retailers, other journalists covering the sector and, finally, the one group about which he was somewhat coy, the smugglers who ensured a continuing supply of gold bullion to the Indian market during the period of Gold Control.

Gold Control was introduced by the Indian government in 1963 in an attempt to minimise ownership of gold by the population and to prevent foreign exchange being used for imports of new gold. However, the main impact was to force the local price to a very high premium compared with the international market, the main beneficiaries of which were the smugglers. Together with his friend Shantilal Sonawala, Daga-ji became the main advocate for the abandonment of Gold Control and their efforts bore fruit in 1990 when the act was repealed.

From an international perspective, the name Madhusudan Daga meant virtually nothing until he was listed as one of the contributors to the 1986 edition of the annual Gold Survey, which had been published by Consolidated Gold Fields since 1969. But as Tim Green (who as a consultant had been mainly responsible for the research on gold for the Survey since its outset) notes, Mr Daga's information on India had always represented a key element in understanding the development of the market there.

My own first experience of Mr Daga (I never addressed him as anything else) was in 1987 in Gold Fields' elegant St James's Square offices, where at the time I was employed as a so-called copper expert. In common with many of my colleagues, I wondered who this rather wizened, elderly Oriental visitor was. But it was only several years later, after I had had the privilege of setting up Gold Fields Mineral Services and started to visit India on a regular basis, that I began to understand what made him so special. On the one hand, his investigative journalist's nose led to him uncovering amazing facts about, for instance, the use of gold in the manufacture

of *jari* and the large quantities of silver that were sold in *gutkha* (chewing tobacco). His journalistic scoops included the pledging of gold by the Reserve Bank of India during the currency crisis in the early 1990s and he reported on the round tripping of gold before many in the trade even knew about it. On the other hand, travelling the length and breadth of India with him, in an attempt to understand how this fascinating market was developing, I not only met many of those listed in the little black book but I also got to appreciate him for his humanity. For most of his life, Mr Daga was a diabetic – a condition which he controlled by means of either long walks or the consumption of dried chapattis (without a supply of which he never travelled). But he took this affliction literally in his stride and never complained. Apart from all of the above, my abiding memories of Daga-ji were his loyalty, kindness, sense of humour and determination that not only he but everyone else should do the right thing.

His like will not be seen again.

Tim Green writes:

I first met Madhusudan Daga at the Bombay Bullion Association in the early 1970s, which I was attending in the first years of the Consolidated Gold Fields annual survey (now the GFMS survey). His challenging questions, both to me and the Association, established him as a dedicated reporter.

Since I was a reporter too, we had much in common in seeking out the secrets of India's gold trade. From that first meeting, he tended to park himself in my room at the Taj Mahal Hotel, constantly on the phone seeking prices and trends. Over the next 25 years, whenever I arrived in Bombay, usually from Dubai, he was waiting at the aircraft ramp to bustle me through customs with his press card, thence to the gold traders in the city.

In the evenings, we walked by the sea along Worli Seaface still talking gold. Once we met an acquaintance of his: rather than pleasantries about the sea breeze giving respite from the heat, we fell immediately into a discussion on gold. "Every Indian woman, rich or poor, must have gold for security," explained our fellow walker, "and as it is a social privilege, the sale of family ornaments is a blot on the map."

Madhusudan Daga led a simple life in a flat near the sea and was looked after by two women whom he had rescued from a refuge at the end of his street. He was a great friend who will be missed by many.