



Five Key Recommendations for International Bullion Centres

LBMA understands that it is important to now look beyond the efforts of the Good Delivery refiners to the wider markets. The assurance that material traded throughout International Bullion Centres is responsibly sourced would be a shared benefit to the industry.

The IBC Recommendations focus on the following strategic priorities: (a) the responsible sourcing of recycled gold, (b) the elimination of cash transactions and (c) the provision of support for artisanal and small-scale mining (ASM). LBMA believes that to address these strategic priorities as a global industry, International Bullion Centres should implement the following five key recommendations:

1. Effective scrutiny and verification of local and regional supply chains

International Bullion Centres must have visibility of local and regional supply chains, in particular on recycled bullion to ensure its legitimacy. With increased oversight and verification of supply chains comes increased possibility to trace bullion upstream before its entrance into the International Bullion Centre.

Requirements:

- Require all exchanges to only accept refiners who have undergone an OECD-recognised industry scheme audit.
- Encourage all counterparties operating through the International Bullion Centre to conduct due diligence in line with OECD Guidance and implement the five-step framework.
- Require all counterparties operating through the International Bullion Centre to publicly report on their practices and policies.
- Require all counterparties operating through the International Bullion Centre to disclose the country of origin for all mined bullion.
- Require refiners to know and understand the origin of supply for all recycled bullion. The origin of recycled bullion is considered to be the point in the supply chain where the bullion is returned to the refiner or other downstream intermediate processor or recycler.
- Require refiners to assess the sourcing activities of their suppliers
- Require refiners to contractually oblige their suppliers to carry out due diligence in their sourcing activities consistent with the risks involved.

2. Effective regulation of local and regional supply chains

International Bullion Centres must implement stringent rules governing local and regional bullion activities.

Requirements:

- Have robust anti-money laundering regulations, including prohibiting all cash transactions and hand-carried bullion (with controlled exemptions for ASM gold).
- Require documentation which confirms the legal origins of bullion (not the last country).
- Require proof of legal importation and beneficial ownership for imported bullion.
- Enforce supply chain due diligence requirements especially for sourcing from CAHRAs.
- Implement the most recent FATF Recommendations which set out the global anti-money laundering and counter terrorism standard.
- Make import and export statistics available for global reconciliation

3. Effective enforcement powers

International Bullion Centres must be appropriately empowered in order to apply any regulations. Government follow up and investigation is essential in order to have an effective framework.

Requirements:

- Empower enforcement agencies and provide clear guidance internationally on how they will enforce the rules and regulations.
- Establish clear procedures for enforcement bodies to follow in applying regulations; International Bullion Centre can ensure that policy decisions are able to effect positive change on the ground.
- Provide for clear, reliable and robust deterrence mechanisms.

- Encourage transparency and public reporting where possible.

4. Effective co-operation with local, regional and international organisations

Public sector recognition provides International Bullion Centres with an opportunity to receive important support for plans to ensure responsible sourcing. This enables Centres to increase the efficiency and effectiveness of their responsible sourcing efforts as assurance for the wider international market.

Requirements:

- Engage and collaborate with regulatory and government bodies internationally.
- Engage and collaborate with NGOs and other research or investigative bodies for an audit of the supply chains operating within International Bullion Centres. Respond to concerns and take appropriate action.

5. Develop ASM specific guidance to support and further legitimate ASM supply

ASM counterparties are particularly vulnerable to adverse impacts and serious abuses associated with the extraction, transport, trade, handling and export of bullion. The vulnerability of ASM counterparties is increased when ASM operates in the absence of an enabling regulatory environment conducive to responsible, conflict-sensitive bullion production and legitimate trade.

Requirements:

- Engage and collaborate with governments, industry and civil society to support legalisation and assessment of ASM sites.
- Support programs to directly and competitively market ASM bullion from assessed mine sites including traceability and/or chain of custody systems.

LBMA believes these five key recommendations must be implemented and enforced to ensure a globally responsible supply chain. If an International Bullion Centre fails to meet the recommendations, GDL refiners and other parties throughout the supply chain will be discouraged from engaging with that International Bullion Centre. While LBMA encourages responsible engagement, the failure of International Bullion Centres to adopt these recommendations may bring the legitimate global supply chain into disrepute.