



LPMCL

27 April 2023

LONDON PRECIOUS METALS CLEARING LIMITED

RULES

SCHEDULE 1

DISCLOSABLE SUMMARY

[*Company disclaimer:* This is a summary of the London Precious Metals Clearing Limited (“LPMCL”) rules (“Rules”) as agreed between LPMCL and its members as at 27 April 2023. LPMCL provides no assurance that this summary is up to date nor that it contains sufficient information for all recipients’ purposes. This does not constitute an agreement, offer, solicitation of an offer or a commitment to underwrite, arrange, clear or to enter into any transaction. This is not intended to be all-inclusive of the terms and conditions of the Rules and gives no rights to the recipient to rely on its terms or to enforce any terms of the Rules.

1. OVERVIEW

- 1.1. The Rules of LPMCL regulate the transactions between and effected by the clearing members of LPMCL (the “Clearing Members”) in respect of the clearing of certain precious metals including gold, silver, platinum, and palladium. The Rules provide the framework under which Clearing Members operate the clearing system. Amongst other matters the Rules cover two key areas:
 - (a) the right any Clearing Member has over any other Clearing Member to call on the unallocated account with any other Clearing Member, and
 - (b) the timing under which instructions for transfers and allocations may be given and effected.
- 1.2. Calls made on unallocated accounts will be either for the purpose of physical delivery, to call for all or part of a credit balance to be transferred to a Clearing Member where the caller has a debit balance, or for allocation of precious metals. Calls may be for physical, credit or balance sheet purposes.
- 1.3. Calls made for credit purposes ensure that precious metals account balances between Clearing Members, as a result of clearing activities, do not breach credit limits at the end of each day.

Allocated accounts

- 1.4. Importantly, allocated metal is not a credit risk on the institution where the account is held as the allocated metal is held in the name of the account holder. Precious metals held under an allocated account means that the Clearing Member holds specific bars or other specific physical forms of the precious metal, as bailee, in the name of the account holder.

Unallocated accounts

- 1.5. An account holder will have credit exposure to a Clearing Member where they maintain an unallocated account with that Clearing Member. If required, this credit risk can be managed through requiring allocation of the relevant precious metal.

Transfer instructions

- 1.6. Transfer instructions for Clearing Members’ own purposes and for client transfers may be made until 4.00pm London time on the day of settlement. However, it is preferable if client transfer instructions can be communicated to the Clearing Member as earlier in the day as

possible. Clearing Members have until 4.30pm to effect transfers or call for allocation for credit purposes between the Clearing Members.

2. MEMBERSHIP OF LPMCL

There are two types of Clearer Members under the Rules. One is a User Member which is a bank involved in the clearing (or settlement) of transfer instructions and account management for Precious Metals, as contemplated by the Rules, which has been approved by LPMCL to be a User Member and which is not a shareholder of LPMCL. The other is an Equity Member which is a shareholder of LPMCL which is also a User Member. User Members and Equity Members are both referred to as Clearer Members as they have both been approved as Clearers in accordance with the Rules.

3. BECOMING A CLEARING MEMBER

3.1. Applicants wishing to become a Clearing Member must be approved by the Board, and must be able to demonstrate that it:

- (a) is a 'Market Making Member' of the London Bullion Market Association (**LBMA**) and/or a 'Full Market Making Member' of the London Platinum & Palladium Market (**LPPM**);
- (b) is in good standing with both LBMA and/or LPPM insofar as it is involved in trading particular types of Precious Metals;
- (c) has all necessary regulatory permissions to carry out Precious Metal dealing and clearing activities and is acting in accordance with all relevant laws and regulations;
- (d) is of sound financial standing and no Insolvency Event has occurred and is continuing in relation to the applicant, where an Insolvency Event refers to the applicant being dissolved, being insolvent or unable to pay its debts as they become due or being subject to a general assignment, arrangement, composition or compromise for the benefit of its creditors or being subject to insolvency proceedings or having an administrator, provisional liquidator, receiver or similar officer appointed to it or substantially all of its assets or being subject to similar events;
- (e) has access to a sufficient credit line in respect of its Precious Metal dealing and clearing operations including sufficient credit lines with each other Clearer Member and is committed to maintaining those credit lines on an ongoing basis or in the absence of having such credit lines, that it has some other form of adequate financial assurance to cover inter-day and end of day exposure;
- (f) has not been subject to any regulatory action or is not the subject of investigation by a regulator at the time it is applying to become a User Member which in each case;
 - (i) would be reasonably likely to result in it being unable to, or having to cease to, participate in Precious Metals dealing and clearing activities because of the impact that such regulatory action or investigation has or would be likely to have on the applicant's activities as a whole; or
 - (ii) directly relates to the dealing or clearing of Precious Metals and would be reasonably likely to materially affect the integrity or capacity of LPMCL or the applicant's ability to participate as a User Member;
- (g) is able and willing to operate Allocated Accounts (being an account recording Allocated Precious Metal held on behalf of another Clearer Member) and Exchange Accounts (being

an account in respect of Unallocated Precious Metals in the name of one Clearer Member opened and maintained in the books of another Clearer Member) with all other Clearer Members to facilitate the clearing of Precious Metals;

- (h) has entered into, and there subsist, or is willing to enter into, individual agreements between it and each of the other Clearer Members respectively (each a "**Bilateral Agreement**") the terms of which regulate the rights, duties and obligations between such applicant and the relevant other Clearer Member with respect to transactions (including without limitation, Transactions) entered into and to be entered into between them, including without limitation, default and close-out provisions relating to an Insolvency Event), and no Insolvency Event has occurred in respect of such Clearer Member. Each Clearer Member agrees that each transfer or allocation of Precious Metal between Clearer Members (Transaction) shall be a "**transaction**" (as that term is defined in the relevant Bilateral Agreement) for the purposes of the Bilateral Agreement between it and the other Clearer Member who is a party to that Transaction. To the extent that such applicant has not entered into and does not at any time have in place a Bilateral Agreement with any other Clearer Member the Rules shall apply to and regulate that applicants and the other Clearer Member's rights, duties and obligations to each other in relation to Transactions between such applicant and the other Clearer Member.;
- (i) has sufficient and suitably qualified and experienced staff who understand the nature of being a Clearer of Precious Metals and the responsibilities under these Rules and who are themselves of good standing with all regulatory bodies in all jurisdictions in which they have carried out any form of financial services and with the LBMA and/or LPPM insofar as they have been trading Precious Metals in London;
- (j) operates a vault of its own or has access to vaulting services provided by other parties under contract to it to facilitate, in either case, the physical delivery of Precious Metal in Loco London in accordance with LBMA or LPPM rules in force from time to time (as appropriate to the relevant Precious Metal) and which are otherwise of a standard which is sufficiently robust given the activities of LPMCL;
- (k) complies in all material respects with all applicable laws and regulations, including laws in relation to economic or financial sanctions, boycotts, trade embargoes and restrictions relating to terrorism imposed, administered or enforced by any applicable organisation or body from time to time (**Sanctions**), anti-bribery and financial crime, and has reasonably appropriate policies and procedures in place in relation to such laws and regulations, and:
 - (i) is not a person or entity that is named on any sanctions list imposed, administered or enforced by organisations that impose, administer or enforce Sanctions including the United Nations Security Council, the European Union, Her Majesty's Treasury and the Office of Financial Sanctions Implementation of the United Kingdom or The Office of Foreign Assets Control of the Department of Treasury of the United States of America (each a Sanctioning Body);
 - (ii) is not acting in violation of any applicable Sanctions;
 - (iii) shall comply with all applicable laws, regulations, codes and sanctions relating to its operations, wherever conducted, and in particular relating to human rights, bribery, corruption, money-laundering, accounting and financial controls and anti-terrorism, including but not limited to the UK Bribery Act 2010 (Anti-Corruption Laws);

- (iv) has adequate risk management and compliance procedures in place and has taken necessary measures (including screening clients for sanctions, money laundering and anti-bribery and corruption) to ensure continued compliance with the Rules and with the ongoing requirements of any Sanctioning Body and any Anti-Corruption Laws;
- (v) has conducted adequate due diligence on any person that it directs another Clearer Member to transfer Precious Metals to or from in accordance with these Rules and under any applicable Bilateral Agreement; and
- (vi) has not caused and will not (knowingly) cause any other Clearer Member to hold any Precious Metals that originate from financial crime or are being or have been used to facilitate the violation of any Sanctions; and
- (vii) shall ensure that neither any Precious Metals nor the proceeds of any Precious Metals will be used in any way to fund the activities or business of any person or entity in any country or territory subject to Sanctions or included in any Sanctions List;
- (l) has signed a "Statement of Commitment" (substantially in the form published on the website of the LBMA) demonstrating its agreement to uphold the Global Precious Metals Code at all times;
- (m) has procedures and policies in place to comply with the Rules;
- (n) has sufficient risk management and compliance procedures in place to oversee adherence with the Rules;
- (o) agrees to pay and pays any admission fees, annual fees and/or other fees as may be determined by the Board from time to time (including pursuant to the Rules);
- (p) will provide LPMCL with all such evidence that LPMCL may reasonably require to prove that it meets the requirements set out in the Rules relating to applying for membership; and
- (q) agrees to be bound by the Rules including any ongoing criteria and to co-operate with LPMCL and with each other Clearer Member in relation to the Rules and the use of any system, whether such system is manual or electronic, put in place by LPMCL to facilitate the clearing of Precious Metals pursuant to the Rules.

Ongoing compliance and requests for information

3.2. By virtue of being a Clearer Member, each existing Clearer Member agrees to be bound by each of the criteria as described above ("**Membership Criteria**") on an ongoing basis and shall confirm their willingness to comply by signing a copy of the Rules.

3.3. In order to ensure ongoing compliance with the Membership Criteria from time to time:

- (a) if a Clearer Member becomes aware or reasonably suspects that it no longer complies with any of the Membership Criteria, it shall promptly inform LPMCL and provide LPMCL with all relevant information in relation to its failure (or suspected failure) to comply with the relevant Membership Criteria;
- (b) LPMCL may, at any time, request any Clearer Member to provide it with a confirmation of its ongoing compliance with the Membership Criteria; and

- (c) LPMCL may request that any Clearer Member provide it with any details LPMCL may reasonably require in order to determine such Clearer Member's compliance with the Membership Criteria;

provided that a Clearer Member will not be required to provide some or all of the information requested of it pursuant to a request under the applicable Rule if it can reasonably demonstrate that it is not strictly necessary for it to provide such information to confirm its compliance with the relevant Membership Criteria.

- 3.4. The obligations of a Clearer Member to provide information in accordance with the relevant Rule shall be subject to relevant securities laws (including the rules of any relevant securities exchange) including in relation to price sensitive information. The Clearer Member will not be required to provide such information if it can determine it is not strictly necessary to be in compliance with the relevant Rule.
- 3.5. Where requested by a Clearer Member, LPMCL and each other Clearer Member shall use their respective reasonable endeavours to put in place appropriate measures to protect the confidentiality of any information provided under the relevant Rule.
- 3.6. A Clearer Member shall not be required to disclose information to LPMCL in accordance with the Rule for such time that it reasonably believes that such disclosure would pose a real risk of:
 - (a) the loss of confidentiality of such information; and
 - (b) if such confidentiality is lost, requiring the Clearer Member to make a public announcement (or similar public disclosure) in accordance with relevant securities laws, provided that it has taken reasonable steps to preserve the confidentiality of such information, which may include making a request of LPMCL and other Clearer Members in accordance with Rule 2.3.3.
- 3.7. Any new Clearer Member appointed by the Board agrees to sign and return a copy of the Rules to confirm their agreement to be bound by the Rules. The Rules may be executed in counterpart and all such counterparts shall evidence the agreement between Clearer Members.
- 3.8. Where an existing Clearer Member fails to fulfil the requirements in Rule 2.3, the Board shall have discretion to suspend or revoke that Clearer Member's membership after having given that Clearer Member reasonable notice of the Board's intention to do so.
- 3.9. A Clearer Member may resign from its obligations under these Rules by providing not less than three months' notice to LPMCL which shall immediately notify all other Clearer Members, during which notice period full compliance with these Rules is required by the resigning Clearer Member.
- 3.10. If an Equity Member either gives notice to resign as a User Member in accordance with the relevant Rule, or has its membership revoked in accordance with the Rules, upon the relevant notice, that Equity Member will take steps to also dispose of its shareholding in LPMCL in accordance with the articles of association of the Company.
- 3.11. For the avoidance of doubt, approval by the Board for an entity's admission as a User Member will not entitle such User Member to be entered into the register of members of LPMCL as a shareholder of the Company.

4. THE OPERATING COMMITTEE

- 4.1. For the purposes of monitoring and administering the electronic matching system of the Precious Metal clearing system (the "**Aurum System**"), if there are from time to time any User Members (that are not shareholders of LPMCL), then an operating committee (the "**Operating Committee**") shall be set up and shall report directly to the Board. For so long as all Clearer Members are also Equity Members then the functions of the Operating Committee shall be carried out directly by the Board.
 - 4.2. Each Clearer Member shall have the right to appoint, by notice in writing to the Board one person to act as a representative on the Operating Committee.
 - 4.3. Any representative may appoint a person as an alternate representative.
 - 4.4. A representative (or an alternate, as the case may be) of the Operating Committee may be invited to attend meetings of the Board from time to time as the Board in its absolute discretion may deem appropriate. However, a representative (or an alternate, as the case may be) of the Operating Committee shall not otherwise be entitled to attend meetings of the Board.
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