



LBMA

# **LBMA BOARD EFFECTIVENESS REVIEW EXECUTIVE SUMMARY**

April 2018

# Overview

At its meeting in December 2017, the LBMA Board agreed to undertake a self-assessment evaluation of its composition and governance arrangements, facilitated by an independent consultant who had extensive experience of governance arrangements in different organisations, but no prior knowledge of the LBMA or the precious metals markets. This Evaluation took the form of a written survey of the views of current Board members, senior managers and external observers, supported by structured telephone interviews with each of the respondents and an examination of relevant policy documentation. The results were discussed by the Board at its meeting on 17 May 2018. The review makes a total of 15 recommendations, the most important of which are included in the summary below.

Overall, the Evaluation confirmed that the appointment of a new Chairman and Non-Executive Director in September 2016, coupled with other changes made that year, have improved significantly the governance arrangements in force at the LBMA. The Board is well led and well qualified to enable it to discharge its responsibilities to the Association's Membership and the wider community engaged in the precious metals markets. All members of the Board are working hard to further the interests of the LBMA and there is a willingness to continue with reforms designed to strengthen governance and streamline working practices further. It is inevitable, however that these reforms will increase the workload imposed on the Board and Executive.

As can very often be found in a self-governing membership organisation of this nature, conflicts of interest exist but Board Members are very much aware of this issue and it is generally managed effectively. The Evaluation recommends, however, that a formal policy for the management of such conflicts should be published and supported by an appropriate induction process for new members. In addition, the appointment of another Non-Executive Director would improve the balance of interests on the Board.

## Key Recommendations

**Key Recommendation 1 – The Board should resume the search for another suitable Non-Executive Director to fill the vacancy that exists at the present time.**

**Impact - High, Urgency – 1**

The Board and Executive have started work on the production of a new three year Strategic Plan. This is an important piece of work as the evaluation revealed a range of views on the many challenges facing the Association and it will be important for the Board to reach agreement on a single set of priorities to inform this plan and form the basis for the management actions that will follow. The Evaluation also recommends that the Board should allocate more time, and adopt a more structured approach, to the management of risk in order to protect its ambitions from unintended consequences.

**Key Recommendation 2 – The Board should ensure that sufficient time is allocated to the production of the Strategic Plan to enable differing perspectives to be aired fully and agreement reached on the key strategic objectives to be set for the next three years.**

**Impact – High, Urgency – 1**

Historically, the LBMA Management Committee has worked with a relatively small permanent staff supported by a wide array of Sub-Committees and Working Groups populated by key Members. This model represents a cost effective way of taking advantage of the experience and technical expertise of senior members of the Association while providing them with a range of opportunities to engage with the

permanent staff and understand the needs of the LBMA as a whole. From a governance perspective, however, it suffers from the disadvantages that lines of communication are stretched and potentially complex and that Board members have little direct sight of much of the work being undertaken for which they are ultimately responsible. The Evaluation drew out these points and supports a proposal that is already being considered to review the structure and reporting lines of several Sub-Committees in an endeavour to rationalise current arrangements. The review also recommends some strengthening of the governance arrangements in place for the LBMA's active subsidiary company, Precious Metals Pricing Ltd, as the activities of this subsidiary are likely to become increasingly significant in the future.

**Key Recommendation 3 – The Board should work with EXCOM to review the value and effectiveness represented by the current framework, reflecting on the number of working groups in place and the frequency with which they meet.**

**Impact – High, Urgency – 2**

Turning to the activities of the Board itself, the Evaluation confirmed that Board meetings are well organised and well attended and discussions are conducted in a professional and business-like manner. There is a good relationship between Board members and the Executive and amongst the Board members themselves. The Board's workload has become increasingly demanding, however, and time pressures manifest themselves in a number of ways. Some improvement in the preparation and distribution of papers would be welcomed, therefore alongside an annual work plan to ensure that all matters for which the Board has formal responsibility receive timely attention. Other matters of a housekeeping nature are recommended to ensure that the limited time available for important discussions is used to best advantage. Furthermore, steps should be considered to improve the flow of information between the Board and its key Committees, some of which are undertaking important operational work on the Board's behalf.

**Key recommendation 4 – The Board should improve lines of communication, either by the appointment of a Non-Executive Director to each of the important Sub-Committees or by inviting the Chairs of those Committees to attend and report to Board meetings on a regular basis.**

Overall, the willingness of all who participated in this Evaluation to commit time to this exercise, shared their views candidly which in itself, is evidence of the constructive and forward looking culture in which the Board operates. The efforts made since 2016 to bring further independence and transparency have significantly improved the governance arrangements at the LBMA and it is pleasing to be able to report that the Board's appetite for ongoing reform remains undiminished.

Brian Larkman

*Brian Larkman is a retired bank treasury manager. Having held a number of senior positions in the NatWest Group, he was appointed Global Head of Money Markets for the RBS Group before retiring in 2001. While in office he chaired the BBA Money Markets Committee and worked closely with APACS and the Bank of England on the introduction of Real Time Gross Settlement in CHAPS, the City of London's high value payment system.*

*In 2002 he was appointed to the Regulatory Decisions Committee of the FSA and two years later he became a non-executive director of the UK Debt Management Office, a position that he held for 12 years. During this time he also acted as an adviser to HMRC and as a member of the Exchequer Funds Audit Committee of HM Treasury. In 2012 he was appointed MBE in recognition of his services to the financial services industry and the UK Debt Management Office.*

# LBMA Board Response to Evaluation

All Members of the Board found the process conducted by Brian Larkman to be beneficial to their own engagement and to the work of the Board. The constructive feedback was welcomed and has greatly assisted the Board in the on-going development of the LBMA.

In response to the Key Recommendations summarised above, the Board accepts these and has developed a delivery plan to act upon all of them. The overall recommendations strongly correspond to the short and long term strategic ambitions of the LBMA. The Board is also in the process of finalising its Three Year Plan which will be shared with the Membership later in the year. This has followed dedicated Board sessions which have focused on strategy, in line with the Evaluation's recommendations.

## Transparency

Since February 2018, the Board minutes have been regularly published on the LBMA's website. The Board is also in the process of reviewing all of the LBMA policies with the intention to also publish its conflicts of interest policy on the Association's website.

## Appointment of Third NED & Review of Sub-Committees

The Board is in the process of developing a job description for a third NED. This is part of the on-going review of the LBMA's Sub-Committees and Working Groups which began in December 2017. It is envisaged that the engagement of a third NED will enhance the oversight of and communication with Sub-Committees and Working Groups. Going forward the Board will ensure that its Terms of Reference as well as those for all Committees are kept under regular review. The goal of this review is to ensure oversight, but also to maintain Member and market engagement in the work of the LBMA.

## LBMA Board

### Non-Executive Directors:

Dr. Paul Fisher (Chairman), former Deputy Head of the Prudential Regulation Authority and Head of Foreign Exchange Division, Bank of England  
Andrew Quinn, Randgold Resources Ltd

### Executive Directors:

Ms Ruth Crowell, Chief Executive Officer, LBMA  
Ms Sakhila Mirza, General Counsel, LBMA

### Elected Market Making Member Representatives:

Mr Raj Kumar, ICBC Standard Bank Plc  
Ms Edel Tully, Managing Director, UBS Investment Bank  
Mr Sid Tipples, Managing Director, JP Morgan Global Base and precious metals

### Elected Full Member Representatives:

Mr Grant Angwin (Vice Chairman), President, Asahi Refining USA Inc  
Mr. Mehdi Bardhordar, Vice Chairman, MKS PAMP Group  
Mr. Hitoshi Kosai, Chief, International Planning Office, Tanaka Kikinzoku Kogyo KK and Tanaka Holdings Co Ltd.