



ICE BENCHMARK ADMINISTRATION

LBMA GOLD PRICE - ERROR POLICY

Introduction

1. ICE Benchmark Administration Limited (“IBA”) became the Benchmark Administrator for the LBMA Gold Price in March 2015 and since then has strengthened the integrity of the benchmark through enhanced governance and surveillance.
2. IBA is realistic in recognising that errors may still occur from time to time, both at Participant banks and at IBA. We therefore wish to articulate clearly and transparently our approach to handling errors identified subsequent to the publication of the LBMA Gold Price.

Background

3. IBA’s auction process is a facility for trading spot gold at a USD price at which balance can be found between buying and selling interest. The IBA Gold Auction is an electronic, tradeable auction process with two auctions each day, at 10:30 and 15:00 in London.
4. The final price from IBA’s Gold Auction is published as the LBMA Gold Price benchmark. IBA also publishes the LBMA Gold Price in a number of non-USD currencies.

Operational impacts

5. In the event that an error in the IBA Gold Auction results in a republication of the price there are several operational considerations:
 - spot gold trades and derivatives that reference the LBMA Gold Price may need to be re-booked or re-settled at the republished price
 - contingent transactions and option exercises may be automatically triggered as a consequence of a republication without either party necessarily anticipating or wanting the resulting transaction, and
 - significant time and effort may be expended in amending downstream transactions if the republished values are used.

Error scenarios

6. An error could arise from the IBA Gold Auction in the following scenarios:

| # | Scenario | Treatment of error |
|---|---|---|
| 1 | IBA discovers an error during an auction Round | The auction Round could be stopped and restarted |
| 2 | IBA makes an error which is discovered after an auction is finished | The auction could not be rerun but in extremis IBA could replace a published auction price with a No Publication |
| 3 | A Participant makes an error which is discovered after an auction is finished | The auction could not be rerun |
| 4 | Fewer than three Direct Participants are present for the auction and IBA therefore publishes a price without conducting an auction but IBA publishes an incorrect price | The incorrect price could be amended if the error were discovered within 30 minutes after publication |
| 5 | IBA publishes incorrect non-USD prices | Since the non-USD prices are derived indirectly from the auction, the incorrect price could be amended if the error were discovered within 30 minutes after publication |

7. In scenarios 4 and 5 above, the 30 minute cut-off time is kept under regular review by the Gold Oversight Committee.
8. Errors are identified after the cut-off time would be included in the attached report that is updated after the end of each calendar quarter.

IOSCO Principle 16 (Complaints Procedures)

9. Principle 16 (Complaints Procedures) of IOSCO's Principles for Benchmarks states that Administrators should have a detailed process to follow in the event that a complaint results in a Benchmark determination being changed. Any determination of the LBMA Gold Price which is changed following a complaint will be notified in the quarterly publication of errors since it is unlikely that a considered response to a complaint would fall within the time parameters identified above for intraday republication.

QUARTERLY PUBLICATION OF ERRORS

| Month | Number of errors | Impact on the published rate |
|----------------|------------------|------------------------------|
| March 2015 | None | N/A |
| April 2015 | None | N/A |
| May 2015 | None | N/A |
| June 2015 | 1 | Yes |
| July 2015 | None | N/A |
| August 2015 | None | N/A |
| September 2015 | None | N/A |
| October 2015 | None | N/A |
| November 2015 | 1 | Yes |
| December 2015 | None | N/A |
| January 2016 | None | N/A |
| February 2016 | None | N/A |
| March 2016 | None | N/A |
| April 2016 | None | N/A |
| May 2016 | None | N/A |
| June 2016 | 1 | Yes |
| July 2016 | None | N/A |
| August 2016 | None | N/A |
| September 2016 | None | N/A |
| October 2016 | None | N/A |
| November 2016 | None | N/A |
| December 2016 | None | N/A |
| January 2017 | None | N/A |
| February 2017 | None | N/A |
| March 2017 | None | N/A |
| April 2017 | None | N/A |
| May 2017 | None | N/A |
| June 2017 | None | N/A |
| July 2017 | None | N/A |
| August 2017 | None | N/A |
| September 2017 | None | N/A |
