

THE LBMA GOLD & LBMA SILVER PRICES

HOW THEY WORK

ICE Benchmark Administration (IBA) operates physically settled, electronic spot gold auctions at 10.30am and 3.00pm, and the silver auction at 12:00pm, London time every day. IBA then publishes the resulting LBMA Gold and LBMA Silver prices.

The price formation for the auctions is in US Dollars. The benchmarks are then published in multiple currencies including: Australian Dollars, British Pounds, Canadian Dollars, Euros, Onshore and Offshore Yuan, Indian Rupees, Japanese Yen, Malaysian Ringgit, Russian Rubles, Singapore Dollars, South African Rand, Swiss Francs, New Taiwan Dollars, Thai Baht and Turkish Lira.

These benchmarks are regulated by the UK's Financial Conduct Authority (FCA).



**IBA ELECTRONIC SPOT GOLD AUCTION
AT 10.30AM LONDON TIME EVERY DAY**



**IBA ELECTRONIC SPOT GOLD AUCTION
AT 3.00PM LONDON TIME EVERY DAY**



**IBA ELECTRONIC SPOT SILVER AUCTION
AT 12.00PM LONDON TIME EVERY DAY**

As the regulated administrator and operator of the gold and silver auctions, IBA's role is to ensure that the the LBMA Gold and Silver Prices have integrity, represent the underlying market interest for gold and silver and comply with all applicable regulations. This enhances trust in the benchmarks and consolidates their position as the global benchmarks for gold and silver within a new, more regulated environment.

To ensure that the LBMA Gold and Silver prices reflect the underlying market, IBA produces the benchmark based on the final price of each auction, which is the most liquid window for buying and selling spot, loco London gold and silver each day.

The IBA auctions provide the opportunity to trade large volumes of spot, loco London gold and silver on a transparent and accessible electronic platform, providing a level playing field to participants.

On average over \$100m of gold has traded in each auction since the LBMA Gold Price was established, providing the most liquid trading opportunity for wholesale spot gold.

The London Bullion Market Association (LBMA) owns the LBMA precious metals benchmarks. The benchmarks are operated as follows:

- LBMA Gold and Silver Prices: ICE Benchmark Administration
- LBMA Platinum and Palladium Prices: London Metal Exchange

IBA has implemented a new framework to improve participation, liquidity, surveillance and governance of the auctions in order to ensure that the LBMA Gold and Silver Prices represent the underlying market:

- **Central Clearing** – direct participants have the option of settling their transactions via the clearing house. This opens the auction to a broader cross section of the market and levels the playing field for participation.
- **Increased Participation** — IBA has tripled the number of direct participants in the auction from four (before IBA assumed administration in March 2015) to 12, including four Chinese banks.
- **Increased Liquidity** — as the number of participants in the auction has increased, volumes have doubled. Average auction volumes have increased from c. 40,000 oz. (prior to IBA's administration) to c. 80,000 oz today.
- **Participation on a Level Playing Field** — all participants see the same, publically available information at the same time. Firms can choose from multiple data providers to view the auction live. Alternatively, historical, delayed price data and auction transparency reports are available for free, on: theice.com
- **Trading Flexibility** — participants in the auction are free to change their orders during the process through:
 - **Bespoke auction technology** — the auction functionality runs on ICE's electronic trading platform so traders can react to changes in related markets
 - **Segregated house and client orders** — the ICE trading platform allows firms to create separate profiles for proprietary trading and client agency accounts, so the trading desk does not see the client orders, reinforcing the segregation of order information and mitigating a potential conflict of interest
 - **Indirect participation** — clients can manage their own orders directly on the ICE trading platform as an indirect participant. This gives them full order entry control, without being required to share the imbalance in the auctions.
- **Audit tools** — the ICE trading platform logs every change and update entered into the auction for all users. Each participant firm has access to IBA's purpose-built audit tools, allowing them to monitor their activity in the auction and perform their own surveillance. This is an important consideration when allowing traders the freedom to react dynamically in the auction.
- **Surveillance** — IBA has a dedicated team of analysts who run surveillance for each auction, in addition to sophisticated and bespoke in-house surveillance technology which monitors all auction activity and automatically alerts for behaviour which requires investigation.
- **Independent auction supervision** — each auction is supervised by at least three IBA analysts.
- **Additional protections** — if an auction is not progressing as expected, IBA's auction rulebook provides measures that can be deployed to protect the integrity of the auction and the LBMA Gold and Silver Price benchmarks as follows:
 - **Pause the auction and restart** — to give participants an opportunity to contact clients or reevaluate their positions
 - **Increase the imbalance threshold** — if it appears that the auction will otherwise not finish
 - **Cancel an order** — if it is compromising the integrity of the process and the relevant participant cannot be reached

ABOUT ICE BENCHMARK ADMINISTRATION LIMITED

ICE Benchmark Administration (IBA) is the world's most trusted and experienced administrator for regulated benchmarks. IBA, which is an independently capitalized subsidiary of Intercontinental Exchange, Inc., administers the following four systemically important benchmarks: ICE LIBOR, the LBMA Gold Price, the LBMA Silver Price and ICE Swap Rate. Authorised and regulated by the Financial Conduct Authority (FCA), IBA is required to comply with the FCA's rules for benchmark administrators; IBA has also been formally assessed in respect of ICE LIBOR against the IOSCO Principles for Financial Benchmarks.

FURTHER INFORMATION

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