



ICE BENCHMARK ADMINISTRATION

LBMA GOLD PRICE – IOSCO ASSESSMENT REPORT

Introduction

ICE Benchmark Administration (“IBA”), an independent subsidiary of Intercontinental Exchange (“ICE”) group, is responsible for the end-to-end administration of the following three systemically important benchmarks:

- LBMA Gold Price — a benchmark price for gold that is widely used across the globe by participants such as producers, consumers, investors and central banks;
- ICE LIBOR — the world's most widely used benchmark for short term bank borrowing rates; and
- ICE Swap Rate (formerly known as ISDAFIX) — the global interest rate swap benchmark for swap rates and spreads.

IBA is the world's most experienced administrator for regulated benchmarks.

Background to the IOSCO Principles

In July 2013, the Board of the International Organization of Securities Commissions issued Principles for Financial Benchmarks¹ with the aim of promoting the reliability of Benchmark determinations and to address Benchmark governance, quality and accountability mechanisms.

As such, they are a set of recommended practices that IOSCO consider should be implemented by Benchmark Administrators and Submitters with a proportionate approach taking into account the size and risks posed by the relevant benchmark and/or benchmark administrator and the benchmark-setting process.

IBA is one of only four benchmark administrators to have been formally assessed by an IOSCO review team for compliance with the Principles. The first review was in 2014 and two further reviews have occurred since.

Background to the LBMA Gold Price

The LBMA Gold Price replaced the Gold Fixing Price in March 2015 when IBA became the administrator.

IBA operates a physically settled, electronic, tradable auction process with aggregated bids and offers published in real-time. The auction is conducted in USD and IBA then publishes prices in a range of other currencies.

¹ Available at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD415.pdf>

The auction uses the WebICE technology platform which provides real-time order management, including direct order management for clients via their own screen (if desired), separation of house and client orders, live credit limit controls, a full audit history, advanced Excel integration and automated notification of filled trades.

About the LBMA Gold Price

The London Bullion Market Association (“LBMA”) owns the LBMA precious metals benchmarks such as the LBMA Gold Price.

Since becoming the administrator of the LBMA Gold Price in March 2015, IBA has implemented a new framework to improve participation, liquidity, surveillance and governance of the gold auction in order to ensure that the LBMA Gold Price represents the underlying market:

- Increased participation in the auction from four Participants before IBA assumed administration to 14 now, including three Chinese banks and one Indirect Participant;
- Increased liquidity since average auction volumes have increased from c. 40,000 oz. prior to IBA’s administration to c. 800,000² oz.per side today;
- Publication in more currencies: IBA publishes prices in US Dollars, Australian Dollars, British Pounds, Canadian Dollars, Euros, Onshore and Offshore Yuan, Indian Rupees, Japanese Yen, Singapore Dollars, South African Rand and Swiss Francs;
- Publication in prices per gram as well as prices per troy ounce;
- Independent auction supervision — each auction is supervised by at least three IBA personnel;
- Surveillance, with IBA’s team of analysts who run surveillance for each auction using sophisticated bespoke in-house surveillance technology which monitors all auction activity and automatically alerts for behaviour which requires investigation;
- Protections in the auction rulebook that would apply if an auction were not progressing as expected:
 - Pause the auction and restart — to give Participants an opportunity to contact clients or re-evaluate their positions;
 - Increase the imbalance threshold — if it appears that the auction will otherwise not finish; and
 - Cancel an order — if it is compromising the integrity of the process and the relevant Participant cannot be reached.

Full details of the calculation are published at: <https://www.theice.com/iba/lbma-gold-price>.

The LBMA Gold Price is one of eight regulated benchmarks in the UK, termed ‘Specified Benchmarks’.

² LBMA Gold Price – Quarterly Volume Report at:
https://www.theice.com/publicdocs/LBMA_Gold_Price_Quarterly_Volume_Report_Q4_2016.pdf

Relationship between the Auction and the Benchmark

The auction is a trading window designed to find the price which balances the tradeable volume in the auction. The benchmark itself is separate to the auction and is produced by taking the final price of the auction, which is the price that all of the volume is required to trade at, and publishing that as the benchmark price in USD and converted into other currencies.

The auction process is as follows:

- IBA proposes a price to the participants;
- Participants enter their buying and selling volumes, in troy ounces, which are tradeable in full at that price if the auction is balanced;
- At the end of each 30 second Round, IBA's system calculates the difference between the buying and selling volumes (the 'imbalance');
 - If the imbalance is greater than 10,000 troy ounces, IBA adjusts the price and begins a new auction Round;
 - If the imbalance is less than or equal to 10,000 troy ounces then all of the volume trades at that price;
- Once the volume has traded at the final auction price, that price is published as the benchmark price in USD and converted to the benchmark in other currencies.

In April 2017, central clearing was introduced for the IBA Gold Auction to remove the need for firms to have large bilateral credit lines in place with each other in order to become a Direct Participant. Central clearing opens up the auction to a broader cross section of the market and also facilitates greater volume in the auction.

Central clearing for the auction is enabled by effecting Exchange for Physical ("EFP") transactions into a physically settled, loco London gold daily futures contract which is traded on ICE Futures U.S. The EFPs establish positions in the futures contract which are cleared and can be physically delivered at ICE Clear U.S.

About IBA

IBA is a UK company based in London. It was established for the purpose of administering benchmarks and is a wholly-owned subsidiary of ICE which is one of the world's leading market operators.

In July 2013, IBA was selected³ as the new administrator of LIBOR. IBA became authorised and regulated by the FCA and began administering LIBOR from 3 February 2014.

IBA then became the Administrator of ISDAFIX, now called ICE Swap Rate, in August 2014 and of the LBMA Gold Price in March 2015.

In October 2015, following a public tender, ISDA selected IBA to build and operate a crowd-sourcing facility for the industry-developed Standard Initial Margin Model ("SIMM") for managing the exchange of collateral for uncleared swaps transactions. The facility developed by IBA is now in production.

³ Under IBA's former name - NYSE Euronext Rate Administration Limited

In December 2016, ISDA announced that IBA will assume the secretarial role on the credit derivatives Determinations Committees (“DCs”) in 2017.

The essential elements of IBA’s approach to the administration of benchmarks and other market consensus rates can be summarised as follows, that IBA is:

- An independent and neutral benchmark administrator;
- Resourced solely for the purpose of administering important benchmarks;
- A separately capitalised, self-sustaining business within the ICE group;
- Committed to long-term administration of benchmarks to the highest practice standards;
- Governed by its own Board with a majority of Independent Non- Executive Directors (“INEDs”);
- Advised by Oversight Committees with wide representation to encompass a broad range of perspectives and with relevant knowledge to oversee our codes of conduct and other measures of good practice;
- Experienced in monitoring benchmarks using a range of statistical analysis utilising bespoke surveillance tools to identify anomalies in submissions; and
- Experienced in evolving benchmarks to more robust methodologies.

IBA has contractual arrangements with the ICE group for the provision of certain central services such as IT, premises, legal and HR.

Our systems infrastructure is purpose-built for benchmarks, and is highly automated, highly resilient and highly secure. It was designed to have zero barriers to entry for submitters, users and redistributors and also to scale to fully automated STP (Straight-Through-Processing) for more sophisticated firms.

Our systems are fully auditable and we have extensive back-up arrangements that allow us to continue to operate as normal through disruptive events with minimal or no external impact.

The purpose-built infrastructure covers the full benchmark lifecycle: collection of benchmark data; validation checks; calculation; benchmark dissemination; and surveillance software that performs over 4 million calculations each day to monitor for attempted manipulation of IBA benchmarks.

FCA requirements

As the Administrator of three benchmarks regulated by the FCA, IBA is required to fulfil requirements in the FCA’s Handbook, and in particular the benchmark-specific rules in section 8.3 of the chapter on Market Conduct (“MAR”).

The MAR 8.3 requirements are in, in summary, that Benchmark Administrators must:

- Implement credible governance and oversight measures;
- Appoint an Oversight Committee which includes representatives of benchmark submitters or providers of data, market infrastructure providers, users of the Specified Benchmark and at least two independent non-executive directors of the benchmark administrator;
- Establish practice standards;
- Identify and manage conflicts of interest that may arise;

- Monitor and survey benchmark submissions to identify breaches of practice standards and/or potentially manipulative behaviour;
- Report any suspicious behaviour to the FCA;
- Have Whistle-blowing procedures to enable third parties to notify any suspicions to the benchmark administrator;
- Maintain sufficient financial resources to cover operating costs of administering the specified benchmark(s) for nine months. The assets must be segregated from those of any other group entity and must be capable of being liquidated if necessary with minimal adverse price effect ;
- Have regard to maintaining the integrity of the market and the continuity of the benchmark;
- Ensure confidentiality of sensitive information; and
- Ensure FRAND (fair, reasonable and non-discriminatory) access to the benchmark for relevant users and charge a fee (if any) for access to the benchmark at a reasonable commercial price.

Further information

IBA's contact details are:

- by email to IBA@theice.com
- by post at: ICE Benchmark Administration Limited, Milton Gate, 60 Chiswell St, London, EC1Y 4SA.

Further details about IBA and the LBMA Gold Price can be found at <https://www.theice.com/iba/lbma-gold-price>.

PRINCIPLES AND RESPONSES

The table below sets out the response of ICE Benchmark Administration Limited (“IBA”) in terms of how it meets the objectives of the IOSCO Principles.

Principle 1 – Overall Responsibility of the Administrator

IOSCO Principle 1	IBA’s Response
<p>The Administrator should retain primary responsibility for all aspects of the Benchmark determination process. For example, this includes:</p> <ul style="list-style-type: none"> a) Development: The definition of the Benchmark and Benchmark Methodology; b) Determination and Dissemination: Accurate and timely compilation and publication and distribution of the Benchmark; c) Operation: Ensuring appropriate transparency over significant decisions affecting the compilation of the Benchmark and any related determination process, including contingency measures in the event of absence of or insufficient inputs, market stress or disruption, failure of critical infrastructure, or other relevant factors; and d) Governance: Establishing credible and transparent governance, oversight and accountability procedures for the Benchmark determination process, including an identifiable oversight function accountable for the development, issuance and operation of the Benchmark. 	<p>The LBMA Gold Price is one of three systemically important benchmarks administered by ICE Benchmark Administration Limited (“IBA”). The benchmark is recognised as the principal global benchmark for daily gold prices.</p> <p>IBA runs electronic, physically settled auctions for unallocated loco London spot gold twice a day. This auction process provides a market-based platform for buyers and sellers to trade physical spot gold. The final auction price is published to the market as the LBMA Gold Price benchmark.</p> <p>The LBMA Gold Price is one of the eight Specified Benchmarks regulated by the Financial Conduct Authority (“FCA”) and therefore IBA is required to comply with the regulator’s requirements for benchmark administrators as set out in MAR 8.3 in Chapter 8 (Benchmarks) of the FCA’s Market Conduct Sourcebook.</p> <p>These requirements govern the benchmark determination, including its development, design, calculation, maintenance, dissemination, operation and governance. Our policies, methodology and processes are further explained below.</p> <p>IBA retains sole responsibility for all aspects of the determination of the LBMA Gold Price.</p> <p>Through the Gold Oversight Committee and its calendar of agenda items (in accordance with its Terms of Reference), all aspects of the determination of the benchmark are reviewed and approved, including the following: the methodology, auction process, auction parameters and eligibility criteria for new direct participants.</p>

Principle 2 – Oversight of Third Parties

IOSCO Principle 2	IBA's Response
<p>Where activities relating to the Benchmark determination process are undertaken by third parties - for example collection of inputs, publication or where a third party acts as Calculation Agent - the Administrator should maintain appropriate oversight of such third parties. The Administrator (and its oversight function) should consider adopting policies and procedures that:</p> <ul style="list-style-type: none"> a) Clearly define and substantiate through appropriate written arrangements the roles and obligations of third parties who participate in the Benchmark determination process, as well as the standards the Administrator expects these third parties to comply with; b) Monitor third parties' compliance with the standards set out by the Administrator; c) Make Available to Stakeholders and any relevant Regulatory Authority the identity and roles of third parties who participate in the Benchmark determination process; and d) Take reasonable steps, including contingency plans, to avoid undue operational risk related to the participation of third parties in the Benchmark determination process. <p>This Principle does not apply in relation to a third party from whom an Administrator sources data if that third party is a Regulated Market or Exchange.</p>	<p>IBA operates electronic auctions for spot transactions in unallocated, Loco London gold twice every London business day. Loco London gold refers to gold bullion physically held in the London vaulting system that is acceptable to trade on the London Market. The final auction price is used as the LBMA Gold Price benchmark.</p> <p>IBA handles all aspects of the Benchmark determination process for the LBMA Gold Price and uses no Calculation Agent or Publication Agent.</p> <p>IBA retains sole responsibility for all aspects of the LBMA Gold Price determination.</p> <p>IBA outsources some other activities to other areas within the ICE Group such as technology and HR under formal contractual arrangements. These activities, and IBA's governance of them, are reviewed by IBA's Audit and Risk Committee.</p> <p>None of the benchmark determination processes are outsourced by IBA.</p>

Principle 3 – Conflicts of Interest

IOSCO Principle 3	IBA's Response
<p>To protect the integrity and independence of Benchmark determinations, Administrators should document, implement and enforce policies and procedures for the identification, disclosure, management, mitigation or avoidance of conflicts of interest. Administrators should review and update their policies and procedures as appropriate.</p> <p>Administrators should disclose any material conflicts of interest to their users and any relevant Regulatory Authority, if any.</p> <p>The framework should be appropriately tailored to the level of existing or potential conflicts of interest identified and the risks that the Benchmark poses and should seek to ensure:</p> <ol style="list-style-type: none"> Existing or potential conflicts of interest do not inappropriately influence Benchmark determinations; Personal interests and connections or business connections do not compromise the Administrator's performance of its functions; Segregation of reporting lines within the Administrator, where appropriate, to clearly define responsibilities and prevent unnecessary or undisclosed conflicts of interest or the perception of such conflicts; Adequate supervision and sign-off by authorised or qualified employees prior to releasing Benchmark determinations; The confidentiality of data, information and other inputs submitted to, received by or produced by the Administrator, subject to the disclosure obligations of the Administrator; Effective procedures to control the exchange of information between staff engaged in activities involving a risk of conflicts of 	<p>IBA is a distinct entity within the Intercontinental Exchange group and has its own independent board comprised of Executive Directors and Independent Non-Executive Directors.</p> <p>The following are cornerstones of IBA's arrangements to ensure neutrality and the absence of conflicts of interest:</p> <ul style="list-style-type: none"> A strong regulatory culture and philosophy, as established by the IBA Board and senior management; Management of conflicts of interest and confidentiality through physical, logical and contractual controls; Internal governance structures and management arrangements designed to ensure that regulatory management and staff can take appropriate action without influence from those responsible for business development; The Group's Code of Business Conduct and Ethics which includes policies and procedures for the identification, reporting, disclosure, management, mitigation and avoidance of conflicts of interest; IBA's own Conflicts of Interest Policy which describes the arrangements for the identification, management, disclosure and mitigation of conflicts of interests. The Policy is published on IBA's website. This Conflicts of Interest Policy is owned by Compliance at IBA and is subject to annual review and sign off by the Board of Directors of IBA; IBA's staff are not involved in any activities related to the ICE Group more generally; and The Gold Oversight Committee is comprised of market representatives and industry bodies, Independent Non-Executive Directors of IBA, and IBA representatives. The Oversight Committee is responsible for monitoring the

IOSCO Principle 3	IBA's Response
<p>interest or between staff and third parties, where that information may reasonably affect any Benchmark determinations; and</p> <p>g) Adequate remuneration policies that ensure all staff who participate in the Benchmark determination are not directly or indirectly rewarded or incentivised by the levels of the Benchmark.</p> <p>An Administrator's conflict of interest framework should seek to mitigate existing or potential conflicts created by its ownership structure or control, or due to other interests the Administrator's staff or wider group may have in relation to Benchmark determinations. To this end, the framework should:</p> <p>a) Include measures to avoid, mitigate or disclose conflicts of interest that may exist between its Benchmark determination business (including all staff who perform or otherwise participate in Benchmark production responsibilities), and any other business of the Administrator or any of its affiliates; and</p> <p>b) Provide that an Administrator discloses conflicts of interest arising from the ownership structure or the control of the Administrator to its Stakeholders and any relevant Regulatory Authority in a timely manner.</p>	<p>administration of the benchmark.</p> <p>IBA's procedures for handling conflicts of interest are based on structure, disclosure and contractual provisions, as follows:</p> <ul style="list-style-type: none"> • <i>Administrative and organisational structure:</i> IBA's offices are segregated from other areas, with key card access so that other ICE staff cannot access the offices. IBA's corporate governance structure minimises the potential for conflicts of interest. • <i>Disclosure:</i> An Oversight Committee member is required to notify IBA if s/he finds himself/herself conflicted in a way which IBA may not otherwise anticipate – where, for example the Committee member is in the process of changing employment and the potential change gives rise to a conflict with the individual's duties as a member of the Committee. • <i>Contractual provisions:</i> Certain types of conflict of interest are anticipated in the contractual provisions to which Committee members are subject and these provisions require explicit advance consent for certain matters. <p>The LBMA Gold Price benchmark is determined following an electronic auction operated by IBA. There is no expert judgement in the determination of the benchmark price from the price of the final Round of the auction.</p> <p>With respect to the first set of recommendations (a) of the Principle, to protect against conflicts of interest in the benchmark design, calculation, and maintenance, all IBA employees are bound, inter alia, by:</p> <ul style="list-style-type: none"> • IBA's Conflict of Interest Policy; • The ICE group's Code of Business Conduct and Ethics; and

IOSCO Principle 3	IBA's Response
	<ul style="list-style-type: none"> <li data-bbox="1010 312 1541 341">• The ICE group's Personal Dealing Policy. <p data-bbox="1010 360 2018 424">IBA's Conflict of Interest Policy is reviewed and approved annually and the above ICE Group policies are reviewed ad hoc.</p> <p data-bbox="1010 443 2018 507">IBA staff are trained on these policies on joining the organisation and receive ethics and conflicts of interest training provided annually by the Group online.</p> <p data-bbox="1010 526 2018 660">IBA's Conflict of Interest Policy describing the arrangements for the identification, management, disclosure and mitigation of conflicts of interests is owned by Compliance at IBA and is subject to annual review and sign off by the Board of Directors of IBA.</p> <p data-bbox="1010 679 2018 743">The Policy is supported by procedures and conflicts of interest registers which record conflicts identified, corresponding mitigants and owners of conflict management.</p> <p data-bbox="1010 762 2018 865">With respect to (b), the group's Personal Dealing Policy states that IBA staff are not allowed to trade any gold-related products. An Annual Attestation is signed by all covered employees and retained by ICE Group.</p> <p data-bbox="1010 884 2018 986">With respect to (c), IBA is a distinct business for the administration of benchmarks within the ICE group. No decisions made by the ICE Group, for example product listings, influence IBA's strategy.</p> <p data-bbox="1010 1005 2018 1069">IBA's offices are segregated from other areas, with key card access so that other ICE staff cannot access the offices.</p> <p data-bbox="1010 1088 1756 1117">All IBA personnel report directly or indirectly to IBA's President.</p> <p data-bbox="1010 1136 2018 1270">With respect to (d), publication of the LBMA Gold Price is automatic and is thus not subject to sign off prior to publication. However IBA personnel actively oversee the auction to validate auction Round prices which are the manually entered price of each Round.</p> <p data-bbox="1010 1289 2018 1423">Regarding (e), IT controls over access and change to the systems holding data relating to the LBMA Gold Price exist to restrict staff as appropriate to only those within IBA or directly supporting IBA. Staff within the broader ICE group are logically and physically segregated from the IBA business and staff. Confidentiality of data</p>

IOSCO Principle 3	IBA's Response
	<p>within IBA is protected through user access restrictions.</p> <p>With respect to (f), the composition of the Gold Oversight Committee includes third parties, as required by the FCA. A check on potential conflicts of interest is made at the beginning of every Oversight Committee meeting.</p> <p>IBA's Conflicts of Interest register captures conflicts disclosed by Committee members together with associated mitigants.</p> <p>With respect to (g), IBA staff's remuneration is not linked to the level of the LBMA Gold Price.</p> <p>With respect to the second set of recommendations (a) and (b) of the Principle, any members of the ICE group who access the benchmark rates do so on same terms as other users, including both technical access arrangements and licence fees.</p> <p>IBA is part of the wider ICE group and conflicts, or perceived conflicts, may therefore arise through this ownership. These are acknowledged and managed via IBA's Conflicts of Interest Register and published within the Conflicts of Interest Policy.</p>

Principle 4 – Control Framework for Administrators

IOSCO Principle 4	IBA's Response
<p>An Administrator should implement an appropriate control framework for the process of determining and distributing the Benchmark. The control framework should be appropriately tailored to the materiality of the potential or existing conflicts of interest identified the extent of the use of discretion in the Benchmark setting process and to the nature of Benchmark inputs and outputs. The control framework should be documented and available to relevant Regulatory Authorities, if any. A summary of its main features should be Published or Made Available to Stakeholders. This control framework should be reviewed periodically and updated as appropriate. The framework should address the following areas:</p> <ul style="list-style-type: none"> a) Conflicts of interest in line with Principle 3 on conflicts of interests; b) Integrity and quality of Benchmark determination: <ul style="list-style-type: none"> i. Arrangements to ensure that the quality and integrity of Benchmarks is maintained, in line with principles 6 to 15 on the quality of the Benchmark and Methodology; ii. Arrangements to promote the integrity of Benchmark inputs, including adequate due diligence on input sources; iii. Arrangements to ensure accountability and complaints mechanisms are effective, in line with principles 16 to 19; and iv. Providing robust infrastructure, policies and procedures for the management of risk, including operational risk. c) Whistleblowing mechanism: 	<p>IBA has a governance structure and a number of controls in place to manage conflicts of interest and the robustness and integrity of the design and development of the benchmark methodology and operations.</p> <p>IBA has a control framework for the design, calculation, maintenance and distribution of benchmarks, including the LBMA Gold Price. It is formally documented and the IBA Board is responsible for regularly reviewing the control framework and its effectiveness.</p> <p>The control framework is an overarching document that along with methodologies, policies and procedures, oversight and accountability mechanisms, and business processes covers the requirements of the IOSCO Principles. A summary of the main features is set out below:</p> <p>The control framework describes processes and control activities relating to:</p> <ul style="list-style-type: none"> a) How conflicts of interest are managed and resolved in the business (covered in Principle 3). b) (i), (ii), (iii), (iv). The integrity and quality of the design, calculation, maintenance and distribution of the LBMA Gold Price (covered in Principles 6 to 19) are underpinned by IT General Controls (“ITGCs”) including user access management; systems change control; and Backup procedures. <p>IBA has a formally documented risk framework, approved by IBA's Board.</p> c) There is a formal whistle-blower policy in place. An annual Whistleblowing report is made to the IBA Board. d) All employees are subject to external screening prior to appointment and then required to complete a probationary period of employment which includes training on benchmark production. All employees are subject to annual performance appraisals.

IOSCO Principle 4	IBA's Response
<p>Administrators should establish an effective whistleblowing mechanism to facilitate early awareness of any potential misconduct or irregularities that may arise. This mechanism should allow for external reporting of such cases where appropriate.</p> <p>d) Expertise:</p> <ul style="list-style-type: none"> i. Ensuring Benchmark determinations are made by personnel who possess the relevant levels of expertise, with a process for periodic review of their competence; and ii. Staff training, including ethics and conflicts of interest training, and continuity and succession planning for personnel. <p>Where a Benchmark is based on Submissions: Administrators should promote the integrity of inputs by:</p> <ul style="list-style-type: none"> a) Ensuring as far as possible that the Submitters comprise an appropriately representative group of participants taking into consideration the underlying Interest measured by the Benchmark; b) Employing a system of appropriate measures so that, to the extent possible, Submitters comply with the Submission guidelines, as defined in the Submitter Code of Conduct and the Administrators' applicable quality and integrity standards for Submission; c) Specifying how frequently Submissions should be made and specifying that inputs or Submissions should be made for every Benchmark determination; and d) Establishing and employing measures to effectively monitor and scrutinise inputs or Submissions. This should include pre-compilation or pre-publication monitoring to identify and avoid 	

IOSCO Principle 4	IBA's Response
errors in inputs or Submissions, as well as ex-post analysis of trends and outliers.	

Principle 5 – Internal Oversight

IOSCO Principle 5	IBA's Response
<p>Administrators should establish an oversight function to review and provide challenge on all aspects of the Benchmark determination process. This should include consideration of the features and intended, expected or known usage of the Benchmark and the materiality of existing or potential conflicts of interest identified.</p> <p>The oversight function should be carried out either by a separate committee, or other appropriate governance arrangements. The oversight function and its composition should be appropriate to provide effective scrutiny of the Administrator. Such oversight function could consider groups of Benchmarks by type or asset class, provided that it otherwise complies with this Principle.</p> <p>An Administrator should develop and maintain robust procedures regarding its oversight function, which should be documented and available to relevant Regulatory Authorities, if any. The main features of the procedures should be Made Available to Stakeholders. These procedures should include:</p> <ol style="list-style-type: none"> a) The terms of reference of the oversight function; b) Criteria to select members of the oversight function; c) The summary details of membership of any committee or arrangement charged with the oversight function, along with any declarations of conflicts of interest and processes for election, nomination or removal and replacement of committee members. <p>The responsibilities of the oversight function include:</p> <ol style="list-style-type: none"> a) Oversight of the Benchmark design: <ol style="list-style-type: none"> i. Periodic review of the definition of the Benchmark and its 	<p>The Gold Oversight Committee is the main committee which provides oversight and governance for the LBMA Gold Price. The Committee is responsible under its Terms of Reference (“ToR”) for monitoring the administration of the benchmark, including:</p> <ul style="list-style-type: none"> • Regularly reviewing the methodology, definition and suitability of inputs for the benchmark; • Assessing the underlying market and usage of the benchmark; • Overseeing adherence to the calculation methodology and IBA policies; and • Approving the addition or withdrawal of currencies for the benchmark. <p>The composition of the Gold Oversight Committee is designed to ensure that a balance of interests is represented; that Committee members collectively exhibit an appropriate breadth of knowledge, experience and expertise; and that the Committee is able to represent a suitable diversity of views.</p> <p>The Committee is comprised of market representatives and industry bodies, Independent Non-Executive Directors of IBA, and IBA representatives.</p> <p>Redacted minutes of the Oversight Committee’s meetings are published on IBA’s website.</p> <p>With regards to sections a), b) and c) of IOSCO’s Principle 5, the ToR of the Gold Oversight Committee, the selection criteria for members and the composition of the Committee are publicly available on IBA’s website.</p> <p>With regards to recommendations in part a) of the Principle, the ToR confirm that the Committee are responsible for:</p> <ol style="list-style-type: none"> i. Approving results of the annual review of the benchmark definition and Methodology; ii. Considering reviews of the Administrator's performance in respect of the LBMA

IOSCO Principle 5	IBA's Response
<p>Methodology;</p> <ul style="list-style-type: none"> ii. Taking measures to remain informed about issues and risks to the Benchmark, as well as commissioning external reviews of the Benchmark (as appropriate); iii. Overseeing any changes to the Benchmark Methodology, including assessing whether the Methodology continues to appropriately measure the underlying Interest, reviewing proposed and implemented changes to the Methodology, and authorising or requesting the Administrator to undertake a consultation with Stakeholders where known or its Subscribers on such changes as per Principle 12; and iv. Reviewing and approving procedures for termination of the Benchmark, including guidelines that set out how the Administrator should consult with Stakeholders about such cessation. <p>b) Oversight of the integrity of Benchmark determination and control framework:</p> <ul style="list-style-type: none"> i. Overseeing the management and operation of the Benchmark, including activities related to Benchmark determination undertaken by a third party; ii. Considering the results of internal and external audits, and following up on the implementation of remedial actions highlighted in the results of these audits; and iii. Overseeing any exercise of Expert Judgment by the Administrator and ensuring Published Methodologies have been followed. <p>Where conflicts of interests may arise in the Administrator due to its ownership structures or controlling interests, or due to other activities conducted by any entity owning or controlling the</p>	<p>Gold Price, including compliance with Published Methodologies, applicable laws and regulations, and any recommendations made by these reviews insofar as they affect the integrity of the benchmark. IBA ensures that the Committee is kept apprised of risks and issues relating to the benchmark;</p> <ul style="list-style-type: none"> iii. Approving proposed changes to the benchmark methodology as well as involvement in the conduct of public consultations; and <p>In response to a) iv of the Principle, the Gold Oversight Committee have a role in monitoring the execution of a proposed cessation or termination of the benchmark, should the occasion arise.</p> <p>With respect to recommendations (b) (i) and (ii) of the Principle, the Gold Oversight Committee is responsible for conducting regular reviews of all aspects of the determination of the LBMA Gold Price, including the methodology, auction process, auction parameters and eligibility criteria for new direct participants.</p> <p>The Committee is also responsible for overseeing any audit results and consequent changes required.</p> <p>Regarding recommendation (b) (iii), there is no expert judgement in the determination of the benchmark price.</p>

IOSCO Principle 5	IBA's Response
<p>Administrator or by the Administrator or any of its affiliates: the Administrator should establish an independent oversight function which includes a balanced representation of a range of Stakeholders where known, Subscribers and Submitters, which is chosen to counterbalance the relevant conflict of interest.</p> <p>Where a Benchmark is based on Submissions: the oversight function should provide suitable oversight and challenge of the Submissions by:</p> <ul style="list-style-type: none"> a) Overseeing and challenging the scrutiny and monitoring of inputs or Submissions by the Administrator. This could include regular discussions of inputs or Submission patterns, defining parameters against which inputs or Submissions can be analysed, or querying the role of the Administrator in challenging or sampling unusual inputs or Submissions; b) Overseeing the Code of Conduct for Submitters; c) Establishing effective arrangements to address breaches of the Code of Conduct for Submitters; and d) Establishing measures to detect potential anomalous or suspicious Submissions and in case of suspicious activities, to report them, as well as any misconduct by Submitters of which it becomes aware to the relevant Regulatory Authorities, if any. 	

Principle 6 – Benchmark Design

IOSCO Principle 6	IBA's Response
<p>The design of the Benchmark should seek to achieve, and result in an accurate and reliable representation of the economic realities of the Interest it seeks to measure, and eliminate factors that might result in a distortion of the price, rate, index or value of the Benchmark.</p> <p>Benchmark design should take into account the following generic non-exclusive features, and other factors should be considered, as appropriate to the particular Interest:</p> <ul style="list-style-type: none"> a) a) Adequacy of the sample used to represent the Interest; b) Size and liquidity of the relevant market (for example whether there is sufficient trading to provide observable, transparent pricing); c) Relative size of the underlying market in relation to the volume of trading in the market that references the Benchmark; d) The distribution of trading among Market Participants (market concentration); and e) Market dynamics (e.g., to ensure that the Benchmark reflects changes to the assets underpinning a Benchmark). 	<p>IBA became the operator of the Gold Auction in March 2015 and has made a number of enhancements to the design of the benchmark, including cessation of the Seller's Premium market convention so that, from 1 January 2016, all trades resulting from IBA's gold auction settle at the benchmark price (without the addition of the former USD 15 cents premium per ounce)..</p> <p>IBA operates twice daily, physically settled, electronic and tradable spot gold auctions at 10.30am and 3.00pm UK time. The price formation is in US Dollars (USD), with indicative settlement prices in a range of other currencies.</p> <p>The auction process provides a market-based platform for buyers and sellers to trade physical spot gold and the final auction price is used and published to the market as the LBMA Gold Price benchmark.</p> <p>The IBA auction process is an electronic auction, with the imbalance calculated, and the price adjusted in 'Rounds' of 30 seconds duration.</p> <p>With regards to each element of the Principle:</p> <ul style="list-style-type: none"> a) IBA operates gold auctions that take Participants' buying and selling interest. The final price from the auction is published by IBA as the LBMA Gold Price. IBA has 13 Direct Participants and one Indirect Participant. The Participants include 4 out of the 5 LBMA full Market Makers and a further 5 out of the 8 LBMA Market Makers (http://www.lbma.org.uk/membership). Thus the adequacy of the sample used to represent the interest is ensured b) The participation and level of auction activity is monitored at each Oversight Committee meeting through Dashboards. After each auction, IBA publishes the buying and selling volumes as well as the number of participants in that auction. c) IBA publishes quarterly statistics on its website which show the average volume

IOSCO Principle 6	IBA's Response
	<p>in each auction:</p> <p>https://www.theice.com/publicdocs/LBMA_Gold_Price_Quarterly_Volume_Report_Q4_2016.pdf</p> <p>d) The LBMA Gold Price is the final price from the auction which uses all buying and selling interest entered by the Participants. The number of active participants in the auction is monitored by the Oversight Committee through the Dashboard; and</p> <p>e) At each meeting, the Committee receives a Dashboard of key metrics to review and ensure that the Benchmark remains an accurate and reliable representation of economic realities. The Committee also has a calendar of periodic reviews of aspects of the benchmark including its methodology.</p> <p>In April 2017, central clearing was introduced for the IBA Gold Auction to remove the need for firms to have large bilateral credit lines in place with each other in order to become a Direct Participant. Central clearing opens up the auction to a broader cross section of the market and also facilitates greater volume in the auction.</p> <p>Central clearing for the auction is enabled by effecting Exchange for Physical ("EFP") transactions into a physically settled, loco London gold daily futures contract which is traded on ICE Futures U.S. The EFPs establish positions in the futures contract which are cleared and can be physically delivered at ICE Clear U.S.</p>

Principle 7 – Data Sufficiency

IOSCO Principle 7	IBA's Response
<p>The data used to construct a Benchmark determination should be sufficient to accurately and reliably represent the Interest measured by the Benchmark and should:</p> <ul style="list-style-type: none"> a) Be based on prices, rates, indices or values that have been formed by the competitive forces of supply and demand in order to provide confidence that the price discovery system is reliable; and b) Be anchored by observable transactions entered into at arm's length between buyers and sellers in the market for the Interest the Benchmark measures in order for it to function as a credible indicator of prices, rates, indices or values. <p>This Principle requires that a Benchmark be based upon (i.e., anchored in) an active market having observable Bona Fide, Arms-Length Transactions. This does not mean that every individual Benchmark determination must be constructed solely of transaction data. Provided that an active market exists, conditions in the market on any given day might require the Administrator to rely on different forms of data tied to observable market data as an adjunct or supplement to transactions. Depending upon the Administrator's Methodology, this could result in an individual Benchmark determination being based predominantly, or exclusively, on bids and offers or extrapolations from prior transactions. This is further clarified in Principle 8.</p> <p>Provided that subparagraphs (a) and (b) above are met, Principle 7 does not preclude Benchmark Administrators from using executable bids or offers as a means to construct Benchmarks where anchored in an observable market consisting of Bona Fide, Arms-Length transactions.</p> <p>This Principle also recognizes that various indices may be designed to</p>	<p>IBA operates twice daily, physically settled, electronic and tradable spot gold auctions at 10.30am and 3.00pm UK time.</p> <p>The price formation is in US Dollars (USD), with indicative settlement prices in Australian Dollars, British Pounds, Canadian Dollars, Euros, Onshore and Offshore Yuan, Indian Rupees, Japanese Yen, Singapore Dollars, South African Rand and Swiss Francs.</p> <p>With regards to each element of the Principle:</p> <ul style="list-style-type: none"> a) The LBMA Gold Price benchmark is the price at which there is a balance between the bids and offers volumes in the auction (within the threshold of 10,000 troy ounces). Thus it is formed by the competitive forces of supply and demand; and b) The benchmark is the price at which all of the volume in the final Round of the auction trades. Therefore it is anchored in observable transactions at arm's length between buyers and sellers.

IOSCO Principle 7	IBA's Response
<p>measure or reflect the performance of a rule-based investment strategy, the volatility or behaviour of an index or market or other aspects of an active market. Principle 7 does not preclude the use of non-transactional data for such indices that are not designed to represent transactions and where the nature of the index is such that non-transactional data is used to reflect what the index is designed to measure. For example, certain volatility indices, which are designed to measure the expected volatility of an index of securities transactions, rely on non-transactional data, but the data is derived from and thus “anchored” in an actual functioning securities or options market.</p>	

Principle 8 – Hierarchy of Data Inputs

IOSCO Principle 8	IBA's Response
<p>An Administrator should establish and Publish or Make Available clear guidelines regarding the hierarchy of data inputs and exercise of Expert Judgment used for the determination of Benchmarks. In general, the hierarchy of data inputs should include:</p> <ol style="list-style-type: none"> Where a Benchmark is dependent upon Submissions, the Submitters' own concluded arms-length transactions in the underlying interest or related markets; Reported or observed concluded Arm's-length Transactions in the underlying interest; Reported or observed concluded Arm's-length Transactions in related markets; Firm (executable) bids and offers; and Other market information or Expert Judgments. <p>Provided that the Data Sufficiency Principle is met (i.e., an active market exists), this Principle is not intended to restrict an Administrator's flexibility to use inputs consistent with the Administrator's approach to ensuring the quality, integrity, continuity and reliability of its Benchmark determinations, as set out in the Administrator's Methodology. The Administrator should retain flexibility to use the inputs it believes are appropriate under its Methodology to ensure the quality and integrity of its Benchmark. For example, certain Administrators may decide to rely upon Expert Judgment in an active albeit low liquidity market, when transactions may not be consistently available each day. IOSCO also recognizes that there might be circumstances (e.g., a low liquidity market) when a confirmed bid or offer might carry more meaning than an outlier transaction. Under these circumstances, non-transactional data such as bids and offers</p>	<p>Participants in IBA's gold auctions enter buy / sell orders by number of troy ounces and the auction is then conducted in Rounds of 30 seconds.</p> <p>The auction provides an active market for unallocated loco London spot gold. The price is established by the competitive forces of supply and demand in the auction. An auction can conclude with up to 10,000 ounce difference between the entered buying and selling interest. This is referred to as the Imbalance.</p> <p>Once a Round finishes with balanced buying and selling volume (i.e. within the Imbalance threshold) all of that volume trades at that price. IBA then uses the price for those transactions as the LBMA Gold Price benchmark price.</p> <p>If fewer than three Direct Participants are logged on at the commencement of an auction, IBA will not run an auction but will still publish prices for the LBMA Gold Price benchmark, following the same methodology as for the starting price of the auction, using market data from several different sources.</p> <p>Details of the methodology for determining the LBMA Gold Price are published on IBA's website at: https://www.theice.com/iba/lbma-gold-price</p> <p>IBA's policy on minimum auction participation is published at: https://www.theice.com/publicdocs/Gold_minimum_auction_participation.pdf</p>

IOSCO Principle 8	IBA's Response
and extrapolations from prior transactions might predominate in a given Benchmark determination.	

Principle 9 – Transparency of Benchmark Determinations

IOSCO Principle 9	IBA’s Response
<p>The Administrator should describe and publish with each Benchmark determination, to the extent reasonable without delaying an Administrator publication deadline:</p> <p>a) A concise explanation, sufficient to facilitate a Stakeholder’s or Market Authority’s ability to understand how the determination was developed, including, at a minimum, the size and liquidity of the market being assessed (meaning the number and volume of transactions submitted), the range and average volume and range and average of price, and indicative percentages of each type of market data that have been considered in a Benchmark determination; terms referring to the pricing Methodology should be included (i.e., transaction-based, spread-based or interpolated/extrapolated);</p> <p>b) A concise explanation of the extent to which and the basis upon which Expert Judgment if any, was used in establishing a Benchmark determination.</p>	<p>The LBMA Gold Price is based exclusively on the final price from the physically settled, electronic and tradable spot gold auctions that IBA operates each London business day at 10.30am and 3.00pm UK time.</p> <p>The methodology is available on IBA’s website: https://www.theice.com/iba/lbma-gold-price</p> <p>With regards to each element of the Principle:</p> <p>a) After each auction, IBA publishes Historical Transparency Reports giving details of each auction: the number of Rounds; the finishing time of each Round; the bid and ask volumes in the auction; the number of Participants in the auction; the price for each Round, in USD per troy ounce as well as in grams.</p> <p>The Historical Transparency Reports are available at: https://www.theice.com/iba/historical-data</p> <p>IBA also publishes quarterly statistics on the gold auctions, at: https://www.theice.com/iba/historical-data</p> <p>b) There is no expert judgement in the determination of the benchmark price.</p>

Principle 10 – Periodic Review

IOSCO Principle 10	IBA’s Response
<p>The Administrator should periodically review the conditions in the underlying Interest that the Benchmark measures to determine whether the Interest has undergone structural changes that might require changes to the design of the Methodology. The Administrator also should periodically review whether the Interest has diminished or is non-functioning such that it can no longer function as the basis for a credible Benchmark.</p> <p>The Administrator should Publish or Make Available a summary of such reviews where material revisions have been made to a Benchmark, including the rationale for the revisions.</p>	<p>In March 2015, IBA became the administrator for the renamed LBMA Gold Price and, as agreed with the LBMA, transitioned the benchmark to a physically settled, electronic and tradable auction.</p> <p>IBA has made a number of enhancements to the design of the benchmark as shown in response to Principle 6 above.</p> <p>The Gold Oversight Committee reviews all aspects of the determination of the benchmark: the methodology; the definition of the benchmark; the suitability of inputs; the scope of the benchmark; and the setting of the benchmark. The Committee has an annual calendar of reviews:</p> <p>Q1: Reviewing the process of making relevant Benchmark Submissions (i.e. the inputs to the benchmark)</p> <p>Q2: Considering matters of definition and scope of the benchmark</p> <p>Q2: Reviewing the setting and definition of the benchmark</p> <p>Q3: Reviewing the Practice Standards</p> <p>Q4: Reviewing the persons who make Benchmark Submissions available</p> <p>At each meeting the Committee reviews the underlying interest of the benchmark via a Dashboard of metrics and considers if there are any structural changes in the market.</p> <p>IBA’s published Consultation Policy, approved by the IBA Board, defines the process by which changes are made to the benchmark.</p> <p>In accordance with the Consultation Policy, any material revisions are subject to consultation and include a summary of the review and the rationale for the changes.</p>

Principle 11 – Content of the Methodology

IOSCO Principle 11	IBA's Response
<p>The Administrator should document and Publish or Make Available the Methodology used to make Benchmark determinations. The Administrator should provide the rationale for adopting a particular Methodology. The Published Methodology should provide sufficient detail to allow Stakeholders to understand how the Benchmark is derived and to assess its representativeness, its relevance to particular Stakeholders, and its appropriateness as a reference for financial instruments.</p> <p>At a minimum, the Methodology should contain:</p> <ol style="list-style-type: none"> a) Definitions of key terms; b) All criteria and procedures used to develop the Benchmark, including input selection, the mix of inputs used to derive the Benchmark, the guidelines that control the exercise of Expert Judgment by the Administrator, priority given to certain data types, minimum data needed to determine a Benchmark, and any models or extrapolation methods; c) Procedures and practices designed to promote consistency in the exercise of Expert Judgment between Benchmark determinations; d) The procedures which govern Benchmark determination in periods of market stress or disruption, or periods where data sources may be absent (e.g., theoretical estimation models); e) The procedures for dealing with error reports, including when a revision of a Benchmark would be applicable; f) Information regarding the frequency for internal reviews and approvals of the Methodology. Where applicable, the Published 	<p>The methodology underpinning the LBMA Gold Price is:</p> <ul style="list-style-type: none"> • An independently administered and tradable auction process; • An electronic and physically settled auction run twice daily at 10:30am and 3:00pm London time; and • Auction conducted in US Dollars. <p>The Imbalance between the buying and selling interest is calculated, and the price adjusted, in Rounds of 30 seconds in duration.</p> <p>The auction process provides a market-based platform for buyers and sellers to trade physical spot gold and the final auction price is used and published to the market as the LBMA Gold Price benchmark.</p> <p>The methodology for determining the LBMA Gold Price is published by IBA at: https://www.theice.com/iba/lbma-gold-price.</p> <p>In addition, the Gold Auction Specification is available at https://www.theice.com/publicdocs/futures/IBA_Gold_Auction_Specification.pdf</p> <p>With reference to the Principle's specific recommendations on the content of the Methodology:</p> <ol style="list-style-type: none"> a) The key terms and methodology are explained; b) There is no 'mix of inputs' used to derive the LBMA Gold Price. IBA operates physically settled, electronic spot gold auctions at 10.30am and 3.00pm UK time providing a market-based platform for buyers and sellers to trade physical spot gold. Participants enter their buying and selling interests and the auction finds an equilibrium between the supply and demand, within the tolerance of the Imbalance. The final price from the auction is published to the market as the LBMA Gold Price benchmark.

IOSCO Principle 11	IBA's Response
<p>Methodologies should also include information regarding the procedures and frequency for external review of the Methodology;</p> <p>g) The circumstances and procedures under which the Administrator will consult with Stakeholders, as appropriate; and</p> <p>h) The identification of potential limitations of a Benchmark, including its operation in illiquid or fragmented markets and the possible concentration of inputs.</p> <p>Where a Benchmark is based on Submissions, the additional Principle also applies:</p> <p>The Administrator should clearly establish criteria for including and excluding Submitters. The criteria should consider any issues arising from the location of the Submitter, if in a different jurisdiction to the Administrator. These criteria should be available to any relevant Regulatory Authorities, if any, and Published or Made Available to Stakeholders. Any provisions related to changes in composition, including notice periods should be made clear.</p>	<p>IBA does not publish guidelines on the exercise of expert judgement because there is no expert judgement in the determination of the benchmark price.</p> <p>During the auction there is only one data type: bona-fide bids and offers and the benchmark calculation involves no models or extrapolation methods.</p> <p>The policy on the minimum number of Participants logged in for an auction is published at:</p> <p>https://www.theice.com/publicdocs/Gold_minimum_auction_participation.pdf</p> <p>If fewer than three Direct Participants are logged on at the commencement of an auction, IBA will not run an auction but will still publish a price for the LBMA Gold Price benchmark. Please see "Further Explanation".</p> <p>c) There is no expert judgement in the determination of the benchmark price from the price of the final Round of the auction.</p> <p>d) No theoretical estimation models are used within the auction methodology.</p> <p>If fewer than three Direct Participants are logged on at the commencement of an auction, IBA will not run an auction but, as the benchmark administrator, will still publish a price for the LBMA Gold Price benchmark using related market indicators.</p> <p>IBA's Error Policy is published at:</p> <p>https://www.theice.com/publicdocs/IBA_Gold_Error_Policy.pdf</p> <p>This sets out the instances in which IBA would issue a price correction.</p> <p>For transparency, IBA publishes when an error has occurred, stating if there was any impact to the published rate. This information is updated at the end of each quarter;</p> <p>e) The Methodology is reviewed by the Gold Oversight Committee as documented in its Terms of Reference and in accordance with its Calendar of Agenda Items;</p> <p>f) The circumstances and procedures under which IBA will consult with Stakeholders are set out in the Consultation Policy which is available at</p>

IOSCO Principle 11	IBA's Response
	<p data-bbox="1059 311 1832 338">https://www.theice.com/publicdocs/IBA_consultation_process.pdf</p> <p data-bbox="1010 360 2024 564">g) The identification of potential limitations of the LBMA Gold Price is addressed in the design of the Methodology and the associated procedures and policies. Since the LBMA Gold Price is the price from the final Round of the auction, the key limitation is determination of the benchmark if the auction cannot be operated. This is managed through the policy on minimum participation which also includes the operation of the benchmark in illiquid or fragmented markets (see (d) above).</p> <p data-bbox="1010 587 2024 719">If fewer than three Direct Participants are logged on at the commencement of an auction, IBA will not run an auction but will still publish prices for the LBMA Gold Price benchmark, using the same methodology as for the starting price of the auction, using market data from several different sources.</p>

Principle 12 – Changes to the Methodology

IOSCO Principle 12	IBA's Response
<p>An Administrator should Publish or Make Available the rationale of any proposed material change in its Methodology, and procedures for making such changes. These procedures should clearly define what constitutes a material change, and the method and timing for consulting or notifying Subscribers (and other Stakeholders where appropriate, taking into account the breadth and depth of the Benchmark's use) of changes.</p> <p>Those procedures should be consistent with the overriding objective that an Administrator must ensure the continued integrity of its Benchmark determinations. When changes are proposed, the Administrator should specify exactly what these changes entail and when they are intended to apply.</p> <p>The Administrator should specify how changes to the Methodology will be scrutinised, by the oversight function.</p> <p>The Administrator should develop Stakeholder consultation procedures in relation to changes to the Methodology that are deemed material by the oversight function, and that are appropriate and proportionate to the breadth and depth of the Benchmark's use and the nature of the Stakeholders. Procedures should:</p> <p>a) Provide advance notice and a clear timeframe that gives Stakeholders sufficient opportunity to analyse and comment on the impact of such proposed material changes, having regard to the Administrator's assessment of the overall circumstances; and</p> <p>b) Provide for Stakeholders' summary comments, and the Administrator's summary response to those comments, to be made accessible to all Stakeholders after any given</p>	<p>A substantial change in the calculation methodology of the LBMA Gold Price as a systemically important benchmark could have a significant and destabilising effect on market confidence. Therefore IBA has developed and implemented the Consultation Policy to mitigate this risk.</p> <p>In advance of making any material change, which is defined as any change which would require an update to the published Methodology for the LBMA Gold Price, IBA would engage in wide consultation in advance of proposing change, not only on the change itself but also on the timing of any change and whether any transitional arrangements would be appropriate.</p> <p>Factors to be taken into account would include:</p> <ul style="list-style-type: none"> • Feedback from the Gold Oversight Committee; • Feedback from any consultation; • The impact for existing and potential users of the LBMA Gold Price; • Any regulatory implications; • Any delivery or other risks which may arise as a consequence of the change; • The implementation timing of the change and its proximity to expected happenings (such as the introduction of new regulatory initiatives affecting the market); and • Any other factors of relevance to the particular change or desired outcome. <p>Changes to the methodology are reviewed by the Gold Oversight Committee in accordance with its Terms of Reference and IBA's published Consultation Policy (which explains how materiality is defined) when reviewing the materiality of any changes.</p> <p>Changes to the methodology which do not require consultation are signed off by IBA's President.</p>

IOSCO Principle 12	IBA's Response
<p>consultation period, except where the commenter has requested confidentiality.</p>	<p>As set out in IBA's published Consultation Policy (available at https://www.theice.com/publicdocs/IBA_consultation_process.pdf),</p> <p>IBA publishes consultation papers on its website and invites interested parties to comment on the proposals by a specified date.</p> <p>When the consultation period closes, IBA publishes a feedback statement summarising responses (excluding points made by a commenter who has requested confidentiality).</p>

Principle 13 – Transition

IOSCO Principle 13	IBA's Response
<p>Administrators should have clear written policies and procedures, to address the need for possible cessation of a Benchmark, due to market structure change, product definition change, or any other condition which makes the Benchmark no longer representative of its intended Interest. These policies and procedures should be proportionate to the estimated breadth and depth of contracts and financial instruments that reference a Benchmark and the economic and financial stability impact that might result from the cessation of the Benchmark. The Administrator should take into account the views of Stakeholders and any relevant Regulatory and National Authorities in determining what policies and procedures are appropriate for a particular Benchmark.</p> <p>These written policies and procedures should be Published or Made Available to all Stakeholders.</p> <p>Administrators should encourage Subscribers and other Stakeholders who have financial instruments that reference a Benchmark to take steps to make sure that:</p> <ul style="list-style-type: none"> a) Contracts or other financial instruments that reference a Benchmark, have robust fall-back provisions in the event of material changes to, or cessation of, the referenced Benchmark; and b) Stakeholders are aware of the possibility that various factors, including external factors beyond the control of the Administrator, might necessitate material changes to a Benchmark. <p>Administrators' written policies and procedures to address the possibility of Benchmark cessation could include the following factors, if determined to be reasonable and appropriate by the Administrator:</p> <ul style="list-style-type: none"> a) Criteria to guide the selection of a credible, alternative Benchmark such as, but not limited to, criteria that seek to match to the extent 	<p>IBA has a Benchmark Cessation Procedure and a Transition Policy.</p> <p>The Benchmark Cessation Procedure sets out the steps that IBA would take in the event of discontinuation of a currency or tenor of a benchmark we administer.</p> <p>The Benchmark Cessation Procedure is published at: https://www.theice.com/publicdocs/IBA_Cessation_Procedure.pdf</p> <p>With reference to each of the first set of points of Principle 13:</p> <ul style="list-style-type: none"> a) To enable stakeholders to put in place robust fallback provisions, IBA's Benchmark Cessation Procedure states that stakeholders would be engaged with actively; b) The Benchmark Cessation Procedure lists possible triggers that might lead to a cessation, including external factors out of IBA's control. <p>With reference to each of the second set of points of Principle 13:</p> <ul style="list-style-type: none"> a) the Benchmark Cessation Procedure states that IBA is not aware of any other benchmarks with similar characteristics to the LBMA Gold Price; b) the Benchmark Cessation Procedure states that IBA would take into account the amount of notice that can be given to stakeholders to find alternatives; c) IBA's Transition Policy sets out a number of factors related to IBA benchmarks that users may wish to consider when seeking to identify alternative benchmarks. The Transition Policy is published at: https://www.theice.com/publicdocs/IBA_Transition_Policy.pdf d) the Benchmark Cessation Procedure notes that the factors to be considered in the context of the cessation of a benchmark, including how much notice should be given, whether any transitional measures should or could be

IOSCO Principle 13	IBA's Response
<p>practicable the existing Benchmark's characteristics (e.g., credit quality, maturities and liquidity of the alternative market), differentials between Benchmarks, the extent to which an alternative Benchmark meets the asset/liability needs of Stakeholders, whether the revised Benchmark is investable, the availability of transparent transaction data, the impact on Stakeholders and impact of existing legislation;</p> <p>b) The practicality of maintaining parallel Benchmarks (e.g., where feasible, maintain the existing Benchmark for a defined period of time to permit existing contracts and financial instruments to mature and publish a new Benchmark) in order to accommodate an orderly transition to a new Benchmark;</p> <p>c) The procedures that the Administrator would follow in the event that a suitable alternative cannot be identified;</p> <p>d) In the case of a Benchmark or a tenor of a Benchmark that will be discontinued completely, the policy defining the period of time in which the Benchmark will continue to be produced in order to permit existing contracts to migrate to an alternative Benchmark if necessary; and</p> <p>e) The process by which the Administrator will engage Stakeholders and relevant Market and National Authorities, as appropriate, in the process for selecting and moving towards an alternative Benchmark, including the timeframe for any such action commensurate with the tenors of the financial instruments referencing the Benchmarks and the adequacy of notice that will be provided to Stakeholders.</p>	<p>implemented, and identification of possible alternative benchmarks and migration thereto;</p> <p>e) the Benchmark Cessation Procedure sets out the steps that IBA would take in the event of discontinuation of a currency or tenor of a benchmark we administer. The Procedure notes that the factors to be considered in the context of the cessation of a benchmark, including stakeholder engagement.</p>

Principle 14 – Submitter Code of Conduct

IOSCO Principle 14	IBA’s Response
<p>Where a Benchmark is based on Submissions, the following additional Principle also applies:</p> <p>The Administrator should develop guidelines for Submitters (“Submitter Code of Conduct”), which should be available to any relevant Regulatory Authorities, if any and Published or Made Available to Stakeholders.</p> <p>The Administrator should only use inputs or Submissions from entities which adhere to the Submitter Code of Conduct and the Administrator should appropriately monitor and record adherence from Submitters. The Administrator should require Submitters to confirm adherence to the Submitter Code of Conduct annually and whenever a change to the Submitter Code of Conduct has occurred.</p> <p>The Administrator’s oversight function should be responsible for the continuing review and oversight of the Submitter Code of Conduct.</p> <p>The Submitter Code of Conduct should address:</p> <ul style="list-style-type: none"> a) The selection of inputs; b) Who may submit data and information to the Administrator; c) Quality control procedures to verify the identity of a Submitter and any employee(s) of a Submitter who report(s) data or information and the authorization of such person(s) to report market data on behalf of a Submitter; d) Criteria applied to employees of a Submitter who are permitted to submit data or information to an Administrator on behalf of a Submitter; 	<p>This Principle does not apply because the LBMA Gold Price is not based on Submissions.</p>

IOSCO Principle 14	IBA's Response
<p>e) Policies to discourage the interim withdrawal of Submitters from surveys or Panels;</p> <p>f) Policies to encourage Submitters to submit all relevant data; and</p> <p>g) The Submitters' internal systems and controls, which should include:</p> <ul style="list-style-type: none"> i. Procedures for submitting inputs, including Methodologies to determine the type of eligible inputs, in line with the Administrator's Methodologies; ii. Procedures to detect and evaluate suspicious inputs or transactions, including inter-group transactions, and to ensure the Bona Fide nature of such inputs, where appropriate; iii. Policies guiding and detailing the use of Expert Judgment, including documentation requirements; iv. Record keeping policies; v. Pre-Submission validation of inputs, and procedures for multiple reviews by senior staff to check inputs; vi. Training, including training with respect to any relevant regulation (covering Benchmark regulation or any market abuse regime); vii. Suspicious Submission reporting; viii. Roles and responsibilities of key personnel and accountability lines; ix. Internal sign off procedures by management for submitting inputs; x. Whistle blowing policies (in line with Principle 4); and 	

IOSCO Principle 14	IBA's Response
<p>xi. Conflicts of interest procedures and policies, including prohibitions on the Submission of data from Front Office Functions unless the Administrator is satisfied that there are adequate internal oversight and verification procedures for Front Office Function Submissions of data to an Administrator (including safeguards and supervision to address possible conflicts of interests as per paragraphs (v) and (ix) above), the physical separation of employees and reporting lines where appropriate, the consideration of how to identify, disclose, manage, mitigate and avoid existing or potential incentives to manipulate or otherwise influence data inputs (whether or not in order to influence the Benchmark levels), including, without limitation, through appropriate remuneration policies and by effectively addressing conflicts of interest which may exist between the Submitter's Submission activities (including all staff who perform or otherwise participate in Benchmark Submission responsibilities), and any other business of the Submitter or of any of its affiliates or any of their respective clients or customers.</p>	

Principle 15 – Internal Controls over Data Collection

IOSCO Principle 15	IBA’s Response
<p>When an Administrator collects data from any external source the Administrator should ensure that there are appropriate internal controls over its data collection and transmission processes. These controls should address the process for selecting the source, collecting the data and protecting the integrity and confidentiality of the data. Where Administrators receive data from employees of the Front Office Function, the Administrator should seek corroborating data from other sources.</p>	<p>Data collection for the LBMA Gold Price involves taking bids and offers as volumes of ounces during the auction process operated by IBA on the ICE group’s WebICE technology.</p> <p>The final auction price, which is in USD, is sent automatically from the auction system to IBA’s benchmark database and publication infrastructure.</p> <p>The USD auction price is also automatically published in 11 other currencies using FX rates from publicly available data sources.</p> <p>Set up of participant firms in WebICE for the auction is managed as part of the participant onboarding process by IBA. Order entry from participants is secured through individual user ids, passwords and two factor authentication.</p> <p>a) The final auction price in USD and other currencies is sent automatically from the auction system to IBA’s benchmark database and publication infrastructure.</p> <p>b) ‘Fat finger checks’ limit an individual order size to 100,000 troy oz.</p> <p>c) Automatic ‘age’ checks require manual verification of the FX rates if an update has not been received from the data source within time thresholds.</p> <p>d) Order entry from participants is secured through individual user ids, passwords and two factor authentication.</p> <p>IBA also performs surveillance over the trading activity input to the benchmark calculation. All alerts are investigated and resolved.</p>

Principle 16 – Complaints Procedures

IOSCO Principle 16	IBA's Response
<p>The Administrator should establish and Publish or Make Available a written complaints procedures policy, by which Stakeholders may submit complaints including concerning whether a specific Benchmark determination is representative of the underlying Interest it seeks to measure, applications of the Methodology in relation to a specific Benchmark determination(s) and other Administrator decisions in relation to a Benchmark determination.</p> <p>The complaints procedures policy should:</p> <ol style="list-style-type: none"> Permit complaints to be submitted through a user-friendly complaints process such as an electronic Submission process; Contain procedures for receiving and investigating a complaint made about the Administrator's Benchmark determination process on a timely and fair basis by personnel who are independent of any personnel who may be or may have been involved in the subject of the complaint, advising the complainant and other relevant parties of the outcome of its investigation within a reasonable period and retaining all records concerning complaints; Contain a process for escalating complaints, as appropriate, to the Administrator's governance body; and Require all documents relating to a complaint, including those submitted by the complainant as well as the Administrator's own record, to be retained for a minimum of five years, subject to applicable national legal or regulatory 	<p>IBA has a written Complaints Policy that sets out the procedure according to which a complaint will be dealt with by senior staff not involved in the matter. It explicitly covers complaints regarding the underlying interest, methodology and IBA decisions.</p> <p>IBA's Complaints Policy is approved by the IBA Board and available on IBA's website: https://www.theice.com/publicdocs/IBA_Complaints_Policy.pdf.</p> <p>With reference to each point of Principle 16:</p> <ol style="list-style-type: none"> Complaints may be made in writing (including e-mail) or orally to IBA; IBA's Complaints Policy sets out the procedure for review of any complaint by senior staff not involved in the matter. The Policy states that IBA will acknowledge a complaint within 2 business days of receipt and, if a final response cannot be sent within 8 weeks of receiving the complaint, IBA will write to the complainant to explain why and to state when completion of the review is expected; IBA's Complaints procedure explicitly allows complainants to address the IBA Board of Directors; and Information related to complaints is stored in a restricted access folder and kept for five years. <p>The Gold Oversight Committee would be made aware of any complaints about the design or setting of the benchmark.</p> <p>IBA's Error Policy for the LBMA Gold Price sets out a number of underlying principles:</p> <ul style="list-style-type: none"> An individual auction cannot be rerun; In extremis, IBA could replace a published auction price with a No Publication; If an error is discovered during an auction, the auction Round could be stopped

IOSCO Principle 16	IBA's Response
<p>requirements.</p> <p>Disputes about a Benchmarking determination, which are not formal complaints, should be resolved by the Administrator by reference to its standard appropriate procedures. If a complaint results in a change in a Benchmark determination, that should be Published or Made Available to Subscribers and Published or Made Available to Stakeholders as soon as possible as set out in the Methodology.</p>	<p>and restarted;</p> <ul style="list-style-type: none"> • If fewer than 3 Direct Participants are present for the auction, IBA publishes a price without conducting an auction – an incorrect price published in such circumstances could be altered if an error were discovered within a short timescale; and • The non-USD prices are derived indirectly from the auction and so could be altered if an error were discovered within a short timescale. <p>IBA's Error Policy for the LBMA Gold Price is available at https://www.theice.com/publicdocs/IBA_Gold_Error_Policy.pdf.</p> <p>For transparency, IBA publishes when an error has occurred together with the impact, if any, on the published rate; this information is updated at the end of each quarter.</p> <p>IBA's most recent Error Report is available at: https://www.theice.com/publicdocs/IBA_Gold_Error_Policy.pdf</p>

Principle 17 – Audits

IOSCO Principle 17	IBA's Response
<p>The Administrator should appoint an independent internal or external auditor with appropriate experience and capability to periodically review and report on the Administrator's adherence to its stated criteria and with the Principles. The frequency of audits should be proportionate to the size and complexity of the Administrator's operations.</p> <p>Where appropriate to the level of existing or potential conflicts of interest identified by the Administrator (except for Benchmarks that are otherwise regulated or supervised by a National Authority other than a relevant Regulatory Authority), an Administrator should appoint an independent external auditor with appropriate experience and capability to periodically review and report on the Administrator's adherence to its stated Methodology. The frequency of audits should be proportionate to the size and complexity of the Administrator's Benchmark operations and the breadth and depth of Benchmark use by Stakeholders.</p>	<p>IBA's Audit and Risk Committee agrees the schedule of internal and external audits, reviews output from audits and assesses the implementation of any recommendations.</p> <p>In 2016, the following audits of the LBMA Gold Price were conducted:</p> <ul style="list-style-type: none"> • The ICE Group's Internal Audit function conducted an audit of IBA to ensure that the IOSCO Principles for Financial Benchmarks are being complied with by IBA; and • An independent auditor undertook a review of the benchmark calculations to ensure adherence to its published methodologies for the LBMA Gold Price. <p>In 2017, IBA engaged with an independent auditor to report on whether the relevant activities supporting its compliance with the IOSCO Principles for Financial Benchmarks for the LBMA Gold Price are implemented as defined. IBA received an unmodified conclusion as at 31 January 2017.</p>

Principle 18 – Audit Trail

IOSCO Principle 18	IBA’s Response
<p>Written records should be retained by the Administrator for five years, subject to applicable national legal or regulatory requirements on:</p> <ul style="list-style-type: none"> a) All market data, Submissions and any other data and information sources relied upon for Benchmark determination; b) The exercise of Expert Judgment made by the Administrator in reaching a Benchmark determination; c) Other changes in or deviations from standard procedures and Methodologies, including those made during periods of market stress or disruption; d) The identity of each person involved in producing a Benchmark determination; and e) Any queries and responses relating to data inputs. <p>If these records are held by a Regulated Market or Exchange the Administrator may rely on these records for compliance with this Principle, subject to appropriate written record sharing agreements.</p> <p>When a Benchmark is based on Submissions, the following additional Principle also applies:</p> <p>Submitters should retain records for five years subject to applicable national legal or regulatory requirements on:</p> <ul style="list-style-type: none"> a) The procedures and Methodologies governing the Submission of inputs; b) The identity of any other person who submitted or otherwise 	<p>As a Benchmark Administrator regulated by the FCA, IBA is required to keep records for at least five years of:</p> <ul style="list-style-type: none"> a) All benchmark submissions used to determine the specified benchmark it administers; and b) The person and, where possible, the individual who made the relevant benchmark submission. <p>IBA retains written records of all supporting data to benchmark determinations, the code of conduct (entitled the “Code of Conduct for the IBA Gold Auction and the LBMA Gold Price Benchmark”), whistle-blowing policies and other written records for at least five years (from the date the processes were implemented).</p> <p>With reference to each point of Principle 18:</p> <ul style="list-style-type: none"> a) The auction data and published results are all retained for at least five years; b) N/A because there is no expert judgement in the determination of the benchmark price from the price of the final Round of the auction; c) Changes or deviations from standard procedures and Methodologies are retained for at least five years; d) The identity of each person involved in producing a Benchmark determination is retained for five years; e) IBA retains evidence of queries raised by IBA itself or by Participants related to the Gold auction.

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<p>generated any of the data or information provided to the Administrator;</p> <p>c) Names and roles of individuals responsible for Submission and Submission oversight;</p> <p>d) Relevant communications between submitting parties;</p> <p>e) Any interaction with the Administrator;</p> <p>f) Any queries received regarding data or information provided to the Administrator;</p> <p>g) Declaration of any conflicts of interests and aggregate exposures to Benchmark related instruments;</p> <p>h) Exposures of individual traders/desks to Benchmark related instruments in order to facilitate audits and investigations; and</p> <p>i) Findings of external/internal audits, when available, related to Benchmark Submission remedial actions and progress in implementing them.</p>	

Principle 19 – Cooperation with Regulatory Authorities

IOSCO Principle 19	IBA’s Response
<p>Relevant documents, Audit Trails and other documents subject to these Principles shall be made readily available by the relevant parties to the relevant Regulatory Authorities in carrying out their regulatory or supervisory duties and handed over promptly upon request.</p>	<p>The LBMA Gold Price is a regulated benchmark and therefore IBA cooperates closely with the FCA.</p> <p>The FCA’s MAR 8.3.11 rule states that, “The benchmark administrator must be able to provide to the FCA, on a daily basis, all benchmark submissions it used to determine the specified benchmark it administers.”</p> <p>IBA responds promptly to queries from the regulator.</p> <p>IBA has also already cooperated with IOSCO itself: providing information; responding to enquiries and surveys; and meeting to discuss matters relating to the IOSCO Principles for Financial Benchmarks.</p> <p>Where requested, relevant information, documents and audit trails are made readily available to relevant regulatory authorities in carrying out their regulatory or supervisory duties.</p>