

# **CODE OF CONDUCT FOR THE IBA GOLD AUCTION AND THE LBMA GOLD PRICE BENCHMARK**

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## 1. Preface

- 1.1 This Code of Conduct is intended to work together with the IBA Gold Auction Rule Book to set out the framework which Participants in the IBA Gold Auction should observe to ensure consistency, reliability and high standards of conduct.
- 1.2 The Rule Book governs a Participant's behavior within the Auction and the Code of Conduct governs the wider behavior of the firm, particularly in relation to potential conflicts of interest such as managing Client Orders and where the firm (or an Affiliate) is also a user of the LBMA Gold Price Benchmark.
- 1.3 While this Code largely relates to the behavior of Participants in the IBA Gold Auction, it also refers to the LBMA Gold Price Benchmark, thus it is owned and overseen by the LBMA Gold Price Oversight Committee and will be subject to a periodic general review, although the Oversight Committee shall be entitled to review and propose amendments at any time.
- 1.4 Participants will be asked to confirm their adherence to this Code at least annually and may also be asked by the LBMA Gold Price Oversight Committee to confirm adherence following any material change to the content of the Code. Such confirmations should be provided on a 'comply or explain' basis.
- 1.5 Any material amendments to or updates of this Code shall be subject to prior consultation with the Participants and such other stakeholders as the Oversight Committee may in its absolute discretion consider appropriate. The Oversight Committee shall take into account responses to any such consultation, but shall be entitled to make amendments to the Code as it considers necessary or appropriate.
- 1.6 A copy of this Code will be made available on IBA's website and will be updated each time an amendment is made.

## 2. Definitions

Word or Expression	Definition
Affiliate	As defined in Companies Act 2006
Appellant	An applicant or Participant that seeks to appeal a decision by the Board of IBA pursuant to Section 11 of this Code
Activity	The indications of a buying or selling interest provided by a Participant in the IBA Gold Auction
Board	The IBA Board of Directors
Client	Person or company on whose behalf a Participant enters Orders other than the Participant itself.
Client Order	An Order for the account of a Client. It can only be executed in the Auction by a Participant.
Code	This Code of Conduct
House Order	An Order for the account of the Participant.
IBA	ICE Benchmark Administration Ltd, is responsible for operating the IBA Gold Auction and is the administrator for the LBMA Gold Price Benchmark.
IBA Gold Auction (or Auction)	A process operated by IBA by which buyers and sellers of loco London spot Gold express an interest for the purpose of entering into transactions on UK gold bullion business days at 10:30am and 3:00pm London time.
LBMA Gold Price Benchmark (s)	The benchmark price, expressed in USD (or EUR or GBP) per ounce of Loco London Gold, being calculated from the Final Price or other fall back methods.
Manager	A natural person who is a member of the staff of a Participant with management responsibility for a Representative
Order	Buying or selling interest expressed in Ounces in the IBA Gold Auction.
Ounce	One troy ounce (“oz”), the traditional unit of weight for precious metals.
Participant	An entity taking part in the IBA Gold Auction.
Representative	A natural person who is a member of the staff of a Participant and whose role includes participating in the IBA Gold Auction on behalf of that Participant.
Rules	As defined in the IBA Gold Auction Rule Book

### 3. Internal systems and controls

- 3.1 A Participant shall maintain adequate and effective organisational and governance arrangements around its activity relating to the LBMA Gold Price Benchmark.
- 3.2 Governance arrangements shall be within the context of a risk management and control framework that reflects appropriate senior management supervision and awareness of the IBA Gold Auction. Arrangements shall be appropriate and proportionate to the size and complexity of the Participant. When reviewing these governance arrangements Participants are encouraged to consider whether policies and procedures adequately cover the following areas:
- a) policies and operating procedures for facilitating the entry of Client Orders into the IBA Gold Auction where necessary, as well as House Orders;
  - b) oversight and monitoring arrangements, including the provision of timely and relevant management information;
  - c) Representative training;
  - d) documented risk based review processes for policies and procedures related to participation in the IBA Gold Auction;
  - e) business continuity arrangements in relation to participation in the Auction; and
  - f) clear and documented escalation procedures relating to any issues that may arise in connection with the Participant's business in the Auction.
- 3.3 The Participant shall allocate to appropriately senior individuals the responsibility for overseeing that Participant's participation in the IBA Gold Auction, the related policies and procedures of the Participant, and for receiving and assessing any relevant internal reports. In some Participants this may require a formal group to be established but in others this oversight function may be exercised within the framework of the Participant's existing compliance or risk management framework.
- 3.4 The role of Representative shall be formally designated and documented as such within the Participant organisation. The designation documentation shall include the person's name, role and reporting line, as well as a job description covering that individual's involvement in the IBA Gold Auction.
- 3.5 Each Representative shall acknowledge his/her appointment to this role and confirm that he/she understands and will comply with this Code and all relevant internal policies and procedures of the Participant which relate to participation in the IBA Gold Auction.
- 3.6 A Participant shall maintain documented policies and procedures for participation in the IBA Gold Auction. These procedures and policies shall be reviewed periodically. All such policies shall be updated as necessary in particular to reflect any changes in this Code.

- 3.7 A Participant shall maintain written policies and procedures for the timely handling of complaints from internal or third parties in respect of their role as a Participant and their participation in the IBA Gold Auction. When reviewing these procedures and policies Participants are encouraged to consider whether they adequately cover the following areas:
- a) the appropriate allocation of responsibility for the review of complaints;
  - b) processes to record complaints and maintain records of these for 5 years;
  - c) compliance with any external reporting obligations (if appropriate);
  - d) escalation, tracking and resolution of complaints; and
  - e) informing IBA if a complaint or dispute remains unresolved on or after 21 calendar days.

## 4. Staff training and experience

- 4.1 Each Participant shall ensure that Representatives and Managers have relevant experience in the gold market or in a comparable market to ensure that they are capable of performing their functions in relation to the IBA Gold Auction effectively and efficiently. The level of experience required to be demonstrated shall be appropriate to the responsibilities of the function performed, in the context of the depth of the market concerned.
- 4.2 Each Representative and Manager shall receive training on responsibilities, processes, systems and controls associated with the IBA Gold Auction. Training shall cover at a minimum:
- a) this Code;
  - b) the IBA Gold Auction Rule Book;
  - c) internal policies and procedures related to the IBA Gold Auction;
  - d) the impropriety of attempting to influence the Auction, and the need to report any such attempts;
  - e) the importance of conducting all business related to the IBA Gold Auction on recorded telephone and electronic communication systems and not on personal telephones or other personal electronic devices; and
  - f) the employment consequences if employees act unlawfully or improperly in connection with the IBA Gold Auction.
- 4.3 Participants shall also put in place an appropriate training programme under which all traders at the Participant who deal in products that reference the LBMA Gold Price Benchmark shall receive training to ensure familiarity with the responsibilities, systems and controls associated with being a Participant. That training shall include the following topics:
- a) the impropriety of attempting to influence the LBMA Gold Price Benchmark (whether through the Auction or otherwise), and the need to report any such attempts that they become aware of;
  - b) policies and procedures relating to communications with the Participant's Representatives;
  - c) the requirement to conduct all business relating to products that reference the LBMA Gold Price Benchmark on recorded telephone and electronic communication systems and not on personal telephones or other personal electronic devices; and
  - d) the employment consequences if employees act unlawfully or improperly in connection with the LBMA Gold Price Benchmark.

- 4.4 Completion of training by all the Representatives, Managers and relevant traders shall be documented. Training shall be refreshed periodically as appropriate and updates provided if there are material changes to the Code or applicable regulatory requirements.
- 4.5 Intentional non-compliance with internal policies and procedures implementing the Code should be a disciplinary matter which may be dealt with in accordance with the Participant's existing staff disciplinary procedures.



## 5. Order management and recording

- 5.1 Each Participant shall maintain a clear and consistent process for recording Client Orders. There shall be clear criteria for determining when to enter Client or House Orders into the Auction. The framework adopted by the Participant shall be documented and approved at an appropriately senior level.
- 5.2 As part of its existing disaster recovery and business continuity systems and controls, a Participant shall maintain arrangements to ensure that the consistent and timely participation in the IBA Gold Auction is possible without material interruption due to human or technical failure. In particular the Participant should have:
  - a) controls that help prevent system and process failures, or identify them to rectify problems promptly;
  - b) arrangements for the continuity of Order management in the IBA Gold Auction in the event that a significant process or system becomes unavailable or is destroyed; and
  - c) arrangements for the recovery of relevant electronic communications and records to a site used for disaster recovery and/or business continuity purposes.

## 6. Conflicts of interest

- 6.1 Each Participant shall maintain and operate appropriate organisational and administrative arrangements to enable it to identify, address and mitigate conflicts of interest that may arise in connection with its participation in the IBA Gold Auction.
- 6.2 In particular, Participants shall take appropriate steps to recognise, address and, as far as possible, mitigate any risks of actual, potential or perceived conflicts of interest arising out of:
  - a) managing both Client and House Orders in the IBA Gold Auction
  - b) participating in the IBA Gold Auction and transacting with, or for, Clients and counterparties in products that reference the LBMA Gold Price Benchmark.
- 6.3 Participants shall remain vigilant to the possibility of actual, potential or perceived conflicts of interest arising from, for example, changes in the structure of the firm's business, changes to the responsibilities of particular individuals, and the introduction or development of new products referencing the LBMA Gold Price Benchmark.
- 6.4 In order to identify, address and mitigate conflicts of interest, a Participant shall have a conflicts of interest policy. Such a policy may incorporate mechanisms which address the following objectives in relation to participation in the IBA Gold Auction:
  - a) the identification of circumstances that constitute or may give rise to a conflict of interest in connection with that Participant's participation in the IBA Gold Auction and articulates an approach for managing any such conflicts;
  - b) establishment of effective controls to manage conflicts of interest between those parts of its business participating in the IBA Gold Auction and those parts of its business which may use or have an interest in the LBMA Gold Price Benchmark; and
  - c) establishment of effective measures to prevent or limit any individual from exercising inappropriate influence over the activity of the Representatives or their Managers.
- 6.5 Participants shall ensure that they have implemented proportionate internal controls and procedures to mitigate actual, potential or perceived conflicts of interests (which might include, for example, where a Representative or Manager has parallel responsibility for derivatives trading which references the LBMA Gold Price Benchmark). Such internal controls and procedures shall be documented and regularly reviewed to confirm their effectiveness.
- 6.6 Where the Participant believes that reasonable measures are unable to adequately address or mitigate any conflict of interest identified as described above, the nature of the conflict of interest arising shall be disclosed to IBA.

- 6.7 Any disclosure shall be clear, fair and not misleading and shall be made in writing. The amount of detail which must be disclosed will depend on the nature and context of the conflict.
- 6.8 A Participant shall design the remuneration policy for Representatives and Managers so as to reduce any incentive to behave inappropriately in connection with the IBA Gold Auction or the LBMA Gold Price Benchmark.
- 6.9 Internal controls and procedures shall make clear that Representatives shall not in any circumstances allow their activity in the IBA Gold Auction to be influenced inappropriately by any information, opinion, request, instruction or other communication.

## **7. Whistleblowing**

- 7.1 Each Participant shall maintain a whistleblowing policy so that its staff have a means by which to raise concerns regarding unlawful or inappropriate practices related to the IBA Gold Auction or the LBMA Gold Price Benchmark. Participants may wish to have regard to the IBA's own whistleblowing policy.
- 7.2 Records of any disclosures from Whistleblowers shall be maintained for 5 years

## 8. Record keeping

- 8.1 To the extent that the records have not been entered into, or created by, WebICE or associated infrastructure, each Participant shall keep for a minimum of 5 years:
- a) written records of its activity and key details of its Representatives participating in the IBA Gold Auction, including the Representative's name and job title, and the underlying Client and House Orders which are relayed by the Representative during the IBA Gold Auction;
  - b) written findings of compliance reviews and any internal or external audits of processes and procedures associated with the Participant's participation in the IBA Gold Auction.
- 8.2 Participants may also wish to keep records of the IBA Gold Auction, the outcome of the IBA Gold Auction, the LBMA Gold Price Benchmark, and the transactions concluded between them and other Participants.
- 8.3 IBA will retain data pertaining to Orders and filled Orders for at least 5 years.
- 8.4 In relation to the records described at paragraph 8.1 above, the Participant shall ensure that those records are kept in an appropriate form to enable the Participant to respond to queries and requests from relevant regulatory authorities, IBA and/or an external auditor in relation to the Participant's compliance with the requirements of this Code. Such records shall be subject to appropriate security measures so that the records cannot be altered.

## 9. Compliance and audit

- 9.1 A Participant shall seek to conduct periodic reviews and/or internal audits of its activity in the IBA Gold Auction, and its control framework in relation to such activity. Reports produced as a result of such reviews and/or audits shall be communicated to appropriately senior managers of the Participant.
- 9.2 Appropriately senior individuals at the Participant shall also be notified of any significant issues and actions to be taken and those individuals shall then consider whether any such issues can and should be reported to IBA so that any lessons learned can be reflected in this Code.
- 9.3 A Participant experiencing difficulty in complying with a provision of this Code shall notify IBA, detailing the reasons and providing details of relevant mitigating organisational controls or processes.

## 10. Breach of the Code

- 10.1 If IBA has reason to believe that a Participant may have infringed one or more of the sections of this Code, or is likely to do so, IBA will inquire into the facts and circumstances.
- 10.2 If IBA considers that an infringement is likely to occur soon, IBA will discuss with the Participant measures to avoid the infringement.
- 10.3 Where IBA considers that an infringement has occurred, IBA will assess the materiality and severity of the infringement and may take one or more of the following actions:
- a) issue a private warning to the Participant
  - b) issue an instruction to the Participant to take such remedial action as IBA may specify
  - c) issue a statement to all Participants giving an outline of the circumstances surrounding the infringement, without stating the name of the Participant; the purpose of such a statement being to seek to prevent a similar breach by other Participant(s)
  - d) issue a public warning stating the name of the Participant and giving an outline of the circumstances surrounding the infringement
  - e) inform a competent regulatory body with jurisdiction over the Participant of the infringement
  - f) make a recommendation to the Board that the Participant be excluded from the Auction for a period not exceeding 15 calendar days, and/or
  - g) make a recommendation to the Board that the Participant be excluded.
- 10.4 In assessing the materiality and severity of an infringement, IBA may take into account one or more of the following factors:
- a) the nature of the incident and its impact
  - b) how, when and by whom the incident was discovered
  - c) any preventative and / or remedial actions taken by the Participant
  - d) any similar infringement by the Participant
  - e) any similar infringement by any other Participant
  - f) any previous infringements by the Participant, and / or

- g) any statements made by IBA to Participants pursuant to sections 10.3(c) and 10.3(d) of this Code in connection with similar circumstances.



## 11. Appeals

- 11.1 A Participant may request the Board of IBA to reconsider a decision to:
- a) impose any conditions or restrictions on its participation,
  - b) take disciplinary action against the Participant, except for those actions set forth in section 11.7 below,
  - c) exclude the Participant from the IBA Gold Auction under sections 10.3 (f) and 10.3 (g).
- 11.2 A Participant may appeal against a decision of the Board to an Appeals Committee appointed by the Board or to an independent mediator, provided that the independent mediator or membership of the committee, as the case may be, is acceptable to both the Participant and IBA.
- 11.3 An appeal shall be conducted in such manner as the independent mediator or Appeals Committee deems appropriate provided that both the Appellant and the Board shall be given reasonable opportunity to make representation regarding the Board's decision.
- 11.4 The independent mediator or Appeals Committee shall notify any award, with the reasons therefore, to the Board and to the Appellant. Within 30 calendar days of the notification of award, the Board shall notify the Appellant of the confirmation or amendment of the decision which was the subject of the appeal.
- 11.5 The grounds of appeal shall be that:
- a) IBA misdirected itself as to:
    - (i) the issues to be decided;
    - (ii) the impact of the principles of natural justice on its procedures; or
    - (iii) the applicable Code or law; and/or
  - b) the finding was:
    - (i) unreasonable or unsupported by the evidence; or
    - (ii) based on a misinterpretation of the Code or an error of law; and/or
  - c) new evidence is available which could reasonably have led to a different finding, provided that the Participant could not previously have presented the new evidence.
- 11.6 Appeal in respect of a sanction shall be limited to the grounds that the sanctions are excessive or otherwise inappropriate.

11.7 There shall be no appeal in respect of the imposition of any of the following measures:

- a) a private warning
- b) a statement to all Participants giving an outline of the circumstances surrounding the infringement, without stating the name of the Participant, or
- c) informing a relevant regulator of the infringement.