



ICE BENCHMARK ADMINISTRATION
LBMA GOLD PRICE – METHODOLOGY CONSULTATION
FEEDBACK STATEMENT

On 2 December 2016 ICE Benchmark Administration Limited (IBA) published a consultation paper proposing

- the introduction of an algorithm to determine the price for each auction round, and
- a change to the information that is published on the number of active participants while the auction is running.

The consultation paper was distributed to current IBA Gold Auction Direct Participants.

IBA invited comments on the proposed changes by 16 December 2016. IBA received feedback from two respondents indicating that they were happy with the proposed changes.

One respondent suggested that with regard to the pricing algorithm, consideration should be given to the controls, governance and robustness of the algorithm itself. IBA can confirm that this has been, and will continue to be, given due care and attention. We would see that the Gold Oversight Committee and our internal and external audits would provide the relevant vehicles/forums for providing assurance around these.

One respondent also suggested that once the algorithm is adopted the process should still be overseen by IBA analysts. IBA can confirm that the auction will always be supervised by at least two IBA analysts. This approach is consistent with how we operate our other benchmarks. Our aim is to put the auction on auto-pilot, not to make it driverless.

With regard to the information that is published on the number of active participants while the auction is running, one respondent asked what the rationale behind removing this was.

Our view is that, in the event that there are only a few participants in a particular auction, it would not be desirable for firms to know that all the volume came from one, or only a few, participants while the auction was running because it could provide an indication about the competitiveness of the volume. The risk is that other firms might adjust their behaviour in the auction as a result of this information (e.g. they might decide that they could wait for a lower price before stepping in).

While there are mitigants (e.g. 1 participant does not equal volume from 1 client, and we do not show how many other firms are logged in and might place orders), we think it would be safer for auction participants not to have this information during the auction. We think people should be able to see this information for transparency, but that should not be until after the auction when this information could no longer have an impact on behaviour in the auction.

IBA is very grateful for the feedback and thoughtful questions received in response to this consultation. As a result of this feedback the suggested changes will go ahead as scheduled.

The introduction of an algorithm to determine the price for each auction round is scheduled for Quarter 1, 2017.

The change to the information that is published on the number of active participants while the auction is running is scheduled for Quarter 2, 2017.
