

THE LBMA GOLD PRICE

HOW IT WORKS

ICE Benchmark Administration (IBA) operates physically settled, electronic spot gold auctions at 10.30am and 3.00pm UK time every day¹ and then publishes the resulting LBMA Gold Price.

The price formation for the gold auction is in US Dollars. This is then converted into the benchmark in multiple currencies including: Australian Dollars, British Pounds, Canadian Dollars, Euros, Onshore and Offshore Yuan, Indian Rupees, Japanese Yen, Singapore Dollars, South African Rand and Swiss Francs.

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



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



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

As the regulated administrator and operator of the gold auction, IBA's role is to ensure that the LBMA Gold Price has integrity, represents the underlying market interest for gold and complies with all applicable regulations. This enhances trust in the benchmark and consolidates its position as the global benchmark for gold within a new, more regulated environment.

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

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

On average \$101m of gold has traded in each auction in the 19 months since the LBMA Gold Price was established, providing the most liquid trading opportunity for wholesale spot gold.

The London Bullion Market Association (LBMA) owns the LBMA precious metals benchmarks. Each benchmark is operated by different administrators, as follows: LBMA Gold Price: ICE Benchmark Administration, LBMA Silver Price: Thomson Reuters and Chicago Mercantile Exchange, LBMA Platinum and Palladium Prices: London Metal Exchange.

¹ IBA (ICE Benchmark Administration) will conduct a joint feasibility study with the SBMA (Singapore Bullion Market Association) and the LBMA (London Bullion Market Association) to investigate the need for a pre-AM Gold price auction at 14:00 Singapore time.

Since 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:

- **Central Clearing** – direct participants have the option of settling their transactions via the clearing house. This opens the auction to a broader cross section of the market and levels the playing field for participation.
- **Increased Participation** — IBA has increased the number of direct participants in the auction from four (before IBA assumed administration in March 2015) to 13, including four Chinese banks.
- **Increased Liquidity** — as the number of participants in the auction has increased, volumes have doubled. Average auction volumes have increased from c. 40,000 oz. (prior to IBA's administration) to c. 80,000 oz today.
- **Participation on a Level Playing Field** — all participants see the same, publically available information at the same time. Firms can choose from multiple data providers to view the auction live. Alternatively, historical, delayed price data and auction transparency reports are available for free, on: theice.com
- **Trading Flexibility** — participants in the auction are free to change their orders during the process through:
 - **Bespoke auction technology** — the auction functionality runs on ICE's electronic trading platform so traders can react to changes in related markets
 - **Segregated house and client orders** — the ICE trading platform allows firms to create separate profiles for proprietary trading and client agency accounts, so the trading desk does not see the client orders, reinforcing the segregation of order information and mitigating a potential conflict of interest
 - **Indirect participation** — clients can manage their own orders directly on the ICE trading platform as an indirect participant. This gives them full order entry control, without requiring the credit lines needed to be a direct participant.
- **Audit tools** — the ICE trading platform logs every change and update entered into the auction for all users. Each participant firm has access to IBA's purpose-built audit tools, allowing them to monitor their activity in the auction and perform their own surveillance. This is an important consideration when allowing traders the freedom to react dynamically in the auction.
- **Surveillance** — IBA has a dedicated team of analysts who run surveillance for each auction, in addition to sophisticated and bespoke in-house surveillance technology which monitors all auction activity and automatically alerts for behaviour which requires investigation.
- **Independent auction supervision** — each auction is supervised by at least three IBA analysts.
- **Additional protections** — if an auction is not progressing as expected, IBA's auction rulebook provides measures that can be deployed to protect the integrity of the auction and the LBMA Gold Price benchmark as follows:
 - **Pause the auction and restart** — to give participants an opportunity to contact clients or reevaluate their positions
 - **Increase the imbalance threshold** — if it appears that the auction will otherwise not finish
 - **Cancel an order** — if it is compromising the integrity of the process and the relevant participant cannot be reached

ABOUT ICE BENCHMARK ADMINISTRATION LIMITED

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

FURTHER INFORMATION

iba@theice.com

theice.com/benchmarks

© 2016 Intercontinental Exchange, Inc. The above information is strictly for general information only and is not and must not be construed as financial advice, an offer or solicitation, nor a recommendation to invest in any product. We are not authorised to issue any financial advice and you may wish to seek advice from a licensed financial adviser before making a commitment. All views expressed and references to specific products are included for illustration only, and should not be construed as an offer, advice or recommendation. This document is for information only and does not have regard to any specific investment objectives, financial situation and particular needs of the person who may receive it.