



LBMA

# **Global Precious Metals Code** **December 2022**

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## Foreword

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The Global Precious Metals Code sets out the standards and best practice expected from Market Participants in the global Over The Counter (OTC) wholesale market for Precious Metals. As well as market conventions, the Code covers the principles that should be adopted by Market Participants, including ethics, compliance, governance and risk management, as well as pre-trade, execution and post-trade business conduct.

Such Codes are important contributors to developing and establishing the trust on which markets depend. This trust is critical to the maintenance of an effective, fair and transparent market where high standards of behaviour are the norm.

I would strongly encourage all those who participate or who seek to participate in the global Precious Metals Market to adhere to this Code and, in so doing, bring clear and lasting benefits for all involved.

This revision of the Code, like the previous version, has been prepared by London Bullion Market Association (LBMA), following an extensive period of consultation with Market Participants, other representative bodies and relevant authorities. It is intended to be a reference point for standards for all Market Participants, not just LBMA Members. The Code has been endorsed by the LBMA Board, which includes Market Participants elected to form a representative cross-section of the LBMA Membership, as well as three independent non-executive directors. The LBMA's Precious Metals Code Working Group (PMCWG), with expertise in the regulatory aspects of the Precious Metals Market, assisted with the preparation and revision of the Code and will continue to help to ensure that it remains fit for purpose. Contributions from outside the LBMA Membership are always welcome in this process.

I would like to thank everyone who worked on the Code for committing their time and expertise for the benefit of the Precious Metals Market as a whole.



**Paul Fisher**  
LBMA Chairman

We would like to thank all LBMA Members and wider Market Participants from a broad range of institutions who have led and contributed to this initiative.

We firmly believe the Code achieves the objective of defining standards and best practice principles for the global trading of Precious Metals while ensuring that a proportional approach is adopted to its implementation.



**Ruth Crowell**  
LBMA Chief Executive



**Sakhila Mirza**  
LBMA Executive Director

For any queries regarding the Global Precious Metals Code, please contact [regulatory.affairs@lbma.org.uk](mailto:regulatory.affairs@lbma.org.uk).

# 1 Background and Key Principles

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## 1.1 What is the Global Precious Metals Code?

- 1.1.1 This set of global principles of best practice in the Precious Metals Market, the “Global Precious Metals Code” or “Code” has been developed to provide a common set of guidelines to promote the integrity of the wholesale Precious Metals Market.

It is intended to promote a robust, fair, effective and appropriately transparent market in which diverse groups of Market Participants, supported by resilient infrastructure, are able to confidently and effectively transact at competitive prices that reflect available market information and in a manner that conforms to acceptable standards of behaviour.

- 1.1.2 This Code should serve as an essential reference for Market Participants when conducting business in the Precious Metals Market and when developing and renewing appropriately tailored internal procedures. It is not intended to be a comprehensive guide to doing business in the Precious Metals Market. This Code is also not designed to be a manual outlining the operations of the global Precious Metals Market. A good reference document for that is the [Guide to the OTC Precious Metals Market produced separately by London Bullion Market Association \(LBMA\) and London Platinum and Palladium Market \(LPPM\)](#).
- 1.1.3 All organisations actively involved in the global OTC wholesale trading market for Precious Metals are expected to act according to the broad principles of this Code and to have procedures designed to uphold its general tenets. Market Participants, for the purpose of this Code, are not only drawn from financial institutions but comprise all those involved in the Precious Metals Market (see section 1.2). All Market Participants are strongly advised to adopt the use of the Code in order to further enhance best practice within the marketplace.
- 1.1.4 Given the diverse nature of Market Participants and their varying degrees of sophistication, the Code needs to be applied proportionally. This does not mean that different standards apply, merely that the systems and control environment should be commensurate to the nature of a Market Participant’s type and level of engagement in the Precious Metals Market, as well as the size and complexity of its activities in that Market.
- 1.1.5 This Code will be periodically reviewed and so evolve over time.

### *The Code is organised around four leading principles*

- A. **Ethics:** Market Participants are expected to behave in an ethical and professional manner to promote the fairness and integrity of the Precious Metals Market.
- B. **Governance, Compliance and Risk Management:** Market Participants are expected to have a sound and effective governance framework that provides clear accountability and comprehensive oversight of Precious Metals activity. Market Participants are expected to promote and maintain a robust control and compliance environment which effectively identifies and manages the risks associated with their engagement in the market.
- C. **Information Sharing:** Market Participants are expected to be clear and accurate in their communications. Market Participants are also expected to appropriately manage Confidential Information and to promote effective communication that supports a robust, fair, open and appropriately transparent Precious Metals Market.
- D. **Business Conduct:** Market Participants are expected to effectively manage each stage of the transaction life cycle, i.e. pre-trade, execution and post-trade, in order to promote a robust, fair, open and appropriately transparent Precious Metals Market.

### *FX Global Code and The UK Money Markets Code Context*

- 1.1.6 The overall standards are not particular to Precious Metals and the themes are common across all OTC markets. For example, the Global Foreign Exchange Committee has produced a FX Global Code<sup>1</sup> and the Bank of England has produced the UK Money Markets Code.<sup>2</sup> However, the intention of this Code is to recognise those overall standards and also the features which are unique to Precious Metals.

### *Applicable Law*

- 1.1.7 Market Participants must be aware of, and comply with, the laws, rules and regulations applicable to them and the Precious Metals Market in each jurisdiction in which they do business (“Applicable Law”). This Code does not impose legal or regulatory obligations on Market Participants nor is it a substitute for regulation, but rather it is intended to serve as a supplement to any and all local laws, rules and regulations by adopting global best practice and processes. This guidance does not represent the judgement, nor is it intended to bind the discretion of, any regulator, supervisor or other official sector entities with responsibility over the relevant markets or Market Participants, and it does not provide a legal defence to a violation of Applicable Law.
- 1.1.8 Market Participants are responsible for adopting their own internal policies and procedures designed to comply with Applicable Law. In the event of a conflict between the Applicable Law and this Code, Applicable Law will prevail.
- 1.1.9 Certain terms used in this Code may have specific definitions or meanings under Applicable Law, which may imply certain duties or obligations in a jurisdiction. Since this document is meant to serve as a Code of best practice for Market Participants operating in different jurisdictions, it is not intended that the local meaning of terms in any one jurisdiction apply to the interpretation of this global Code. For the avoidance of doubt, terms used in this Code should be read according to their commonly accepted meaning as terms of market practice in the Precious Metals Market and no specific legal or regulatory meaning should be imputed or ascribed to them. Annex 2 contains a glossary of the capitalised terms featured throughout this Code.

### *Industry Standards*

- 1.1.10 Market Participants may also have other industry standards that are relevant to their business. By way of example, Good Delivery List Refiners must comply with the LBMA’s Responsible Sourcing Guidance, under which they must undergo an independent third-party assurance every year to confirm compliance. Market Participants are responsible for compliance with relevant applicable market standards.

## 1.2 To whom does the Code apply?

- 1.2.1 The Precious Metals Market features a diverse set of Market Participants that engage in the market in different ways and across various Precious Metals products, for example, the extraction, refining, transportation, storage, financing, transacting and marketing of Gold, Silver, Platinum and Palladium. The Code is written with this diversity in mind so that it can apply to all wholesale Precious Metals Market Participants, including sell-side and buy-side entities, operators of trading venues and other entities providing brokerage, execution and settlement services. While there can be no universal “one size fits all” approach given the diversity of the market, the Code is intended to establish a common set of best practice for responsible participation in the Precious Metals Market.

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<sup>1</sup> The FX Global Code is an initiative in which private sector banks are supported by the global central bank community, meeting as the Markets Committee, which is in turn supported by the Bank for International Settlements [https://www.bis.org/about/factmktc/fx\\_global\\_code.htm](https://www.bis.org/about/factmktc/fx_global_code.htm)

<sup>2</sup> The UK Money Markets Code by the Bank of England [https://www.bankofengland.co.uk/-/media/boe/files/markets/money-markets-committee/uk-money-markets-c2o\\_de.pdf](https://www.bankofengland.co.uk/-/media/boe/files/markets/money-markets-committee/uk-money-markets-c2o_de.pdf)

- 1.2.2 For the purposes of this document, a “Market Participant” is a person or organisation (irrespective of its legal form) that is involved in the global OTC wholesale trading market for Precious Metals. As a guide, it is expected that this Code would generally apply to the relevant Precious Metals activity of:
- LBMA Members;
  - Physical market (including but not limited to):
    - Refiners;
    - Mining companies;
  - Logistics firms;
  - Fabricators;
  - Jewellery companies.
  - Financial institutions (including but not limited to):
    - Banks;
    - Asset/fund managers;
    - Exchange Traded Funds;
    - Firms running high-frequency trading strategies;
    - Brokers, investment advisers, aggregators and analogous Intermediaries/Agents);
  - Trading houses;
  - Central banks;
  - Sovereign wealth funds;
  - Affirmation and settlement platforms;
  - Benchmark Administrators.
- 1.2.3 As a guide, the following would not generally be expected to engage in Precious Metals activities as wholesale Market Participants:
- Non-tradeable price streaming platform providers;
  - Private banking clients trading as individuals or via personal investment vehicles; and
  - The general retail public.
- 1.2.4 For the avoidance of doubt, if Precious Metals are traded on a regulated trading venue, such as an exchange, then it is expected that Market Participants undertaking these transactions at that venue will comply with its rulebook. In the event that there is a divergence between exchange rules and regulations and this Code, then the exchange rules and regulations will apply.

### 1.3 How will the Code be applied?

- 1.3.1 The details of how the Code will apply to Market Participants will depend on their underlying activities. It is, however, mandatory for all LBMA/LPPM Members to commit to implementing the requirements of the Code. Each LBMA/LPPM Member will need to apply the Code proportionally to its business activities. In order to support the aforementioned commitment to implementing the requirements of the Code, Market Participants are expected to ensure that training and communications for their staff are consistent with the guidelines of the Code.
- 1.3.2 Proportionate application does not mean different standards for different institutions – it is a recognition of the differing levels of size, complexity, nature of engagement and sophistication of Market Participants in the Precious Metals Market worldwide.

#### *Explanatory note*

Market Participants should also cross-refer to the Explanatory Note, which provides further clarification on the implementation of the principles and guidance, and also on how to use the Statement of Commitment in Annex 5.

## 2 Ethics

### ETHICS LEADING PRINCIPLE

Market Participants are expected to behave in an ethical and professional manner to uphold the fairness and integrity of the Precious Metals Market.

The ethical and professional behaviour of Market Participants underpins the fairness and integrity of the market. The exercise of judgement is central to acting ethically and professionally, and Market Participants (meaning both firms and their personnel) should be guided in doing so by the high-level principles below when applying the specific guidance in the Code and at all times when participating in the market.

This Code additionally notes that the promotion of diversity and inclusion is now a commonly recognised best practice within many markets and firms. The benefits of a diverse and inclusive workforce are widely acknowledged, and Market Participants are expected to promote the development of such a workforce within their firms and through their market activities, in order to access a wider range of skills and diversity of thought.

### 2.1 Ethics Principle 1 – Market Participants should strive for the highest ethical standards

#### 2.1.1 Market Participants should:

- Act honestly in dealings with Clients and other Market Participants;
- Act fairly by dealing with Clients and other Market Participants in a consistent and appropriately transparent manner; and
- Act with integrity by adopting industry best practice and responsible business practices, explanations of which can be found in the relevant guidance notes issued by the bodies that oversee, advise and/or guide on matters pertaining to the wholesale Precious Metals industry, e.g. the LBMA Responsible Sourcing Guidance.

#### 2.1.2 Maintaining high standards of behaviour is the responsibility of:

- **Firms**, which should promote ethical values and behaviour within their organisation and support efforts to promote high ethical standards in the Precious Metals Market more widely, encouraging the involvement by their personnel in such efforts. This should include supporting and promoting a diverse and inclusive workforce, in order to access a wide range of skills and diversity of thought.
- **Management**, who should be proactive in embedding and supporting the practice of ethical values within the firm's culture and be prepared to give appropriate advice to personnel.
- **Personnel**, who should apply judgement when facing ethical questions, expect to be held responsible for unethical behaviour and seek advice where appropriate. Personnel should report and/or escalate issues of concern to the appropriate parties internally or externally, having regard to the circumstances.

### 2.2 Ethics Principle 2 – Market Participants should strive for the highest professional standards

2.2.1 All Market Participants share a common interest in maintaining the highest degree of professionalism and the highest standards of business conduct in the market. Firms should have personnel who are appropriately trained and who have the necessary experience to discharge their employment duties in a professional manner.

2.2.2 High standards of conduct are underpinned by Market Participants and their personnel:

- Having sufficient knowledge of, and complying with, Applicable Law and relevant industry standards;
- Having sufficient relevant experience, technical knowledge and qualifications;
- Acting with competence and skill;

- Applying professional judgement in following the firm's guidelines and operating procedures, including but not limited to methods of execution, record-keeping and ethical behaviour.

## 2.3 Ethics Principle 3 – Market Participants should identify and address conflicts of interest

- 2.3.1 Market Participants should have controls in place designed to identify relevant actual and potential conflicts of interest that may compromise or be perceived to compromise the ethical or professional judgement of Market Participants.
- 2.3.2 Market Participants should endeavour to effectively manage conflicts of interest so as to promote fair treatment of their Clients and other Market Participants, including abstaining from undertaking the relevant activity or action where the conflict of interests cannot otherwise be safely managed.
- 2.3.3 Personnel should be aware of the potential for conflicts of interest to arise and should comply with their firm's policies in these areas.
- 2.3.4 Contexts in which conflicts may arise include but are not limited to:
- Situations where personnel or firm interests may conflict with those of a Client or other Market Participant, or where such a conflict arises for the Market Participant because the interests of one Client may conflict with those of another;
  - Personal and financial relationships;
  - Giving and receiving gifts and entertainment; and
  - Personal Dealing.

Market Participants should put in place appropriate and effective arrangements to eliminate or manage conflicts of interest. These could include:

- Segregation of duties and/or reporting lines;
  - Establishing information barriers (for example, physical segregation of certain departments and/or electronic segregation);
  - Altering the duties of personnel when such duties are likely to give rise to conflicts of interest;
  - Providing training to relevant personnel to enable them to identify and handle conflicts of interest;
  - Establishing declaration policies and/or records for identified conflicts of interest and personal relationships, as well as for gifts and entertainment given and received; and
  - Having policies and controls on Personal Dealing.
- 2.3.5 Where it is concluded that a specific conflict of interest cannot reasonably be prevented or effectively managed (including by ceasing to undertake the relevant service or activity), Market Participants should disclose sufficient details of the conflicts to enable the affected parties to decide beforehand whether or not they wish to proceed with the transaction or service.



## 3 Governance, Compliance and Risk Management (GCRM)

### GCRM LEADING PRINCIPLE

Market Participants are expected to have a sound and effective governance framework to provide for clear responsibility and for comprehensive oversight of their market activity and to promote responsible engagement in the market. Market Participants are also expected to promote and maintain a robust control and compliance environment to effectively identify, manage and report on the risks associated with their engagement in the market and to have appropriate “whistle-blowing” arrangements.

### Governance

Appropriate governance structures should be in place to promote and support the principles set out in this Code. Different firms’ governance structures may vary in complexity and scope. The precise structure adopted should be commensurate with the size and complexity of the Market Participants’ market activities and the nature of the engagement in the market, while taking into account Applicable Law.

Firms should take appropriate steps to identify the risks applicable within their business. Such risks may include:

- Conduct;
- Credit;
- Market;
- Operational;
- Technology;
- Cyber Security;
- Settlement;
- Compliance;
- Legal;
- Business Continuity;
- Reputational; and
- Economic and Trade Sanctions

### Risk and Compliance

- Appropriate risk management, compliance and review structures should be in place to manage and mitigate the risks that arise from a Market Participant’s activities.
- Periodic reviews of risk and compliance controls should also be undertaken, including a review of the qualitative or quantitative assumptions within the risk management system.
- Those responsible for the risk and compliance controls should be independent from the front office.

### 3.1 GCRM Principle 1 – The internal body or individual(s) that is ultimately responsible for the Market Participant’s Precious Metals business strategy and financial soundness should put in place adequate and effective structures and mechanisms to provide for appropriate oversight, supervision and controls with regard to the Market Participant’s activity

3.1.1 The body or individual(s) that is ultimately responsible for the Market Participant’s business strategy and financial soundness should put in place and maintain:

- An operational structure with clearly defined and transparent lines of responsibility for the Market Participant’s market activity;
- An effective oversight of the Market Participant’s market activity based on appropriate management information;
- An environment that encourages effective challenge to management charged with the day-to-day responsibility for the Market Participant’s market activity; and
- Control of functions and mechanisms that are independent from the front office, to assess whether the Market Participant’s market activities are conducted in a manner

that reflects the Market Participant's operational risk and conduct requirements. Such functions should have sufficient stature, resources and access to the internal body or individual(s) ultimately responsible and accountable for the Market Participant's business strategy and financial soundness.

- 3.1.2 In implementing the above, consideration should be given to the types of activities the Market Participant engages in, and where the activity of personnel takes place, i.e. should personnel be working from remote locations.

### 3.2 GCRM Principle 2 – Market Participants should have appropriate policies and procedures designed to handle and respond to potentially improper practices and behaviours effectively, including appropriate “whistle-blowing” arrangements

- 3.2.1 Market Participants should maintain policies and procedures, where appropriate, supported by effective mechanisms, to (i) provide confidential channels for personnel or external parties to raise concerns about potentially improper practices and behaviours, without fear of reprisal; and (ii) investigate and respond to such reports as appropriate.
- 3.2.2 Reports of potentially improper practices or behaviour of the Market Participant should be investigated by independent parties or functions, within a reasonable timeframe. Such parties or functions should possess sufficient skills and experience and should be given the necessary resources and access to information and people to conduct the investigation.
- 3.2.3 The reports and results of an investigation should be brought to the attention of the appropriate governing body within the firm and, if appropriate, to the relevant regulatory or public authorities.

### 3.3 GCRM Principle 3 – Market Participants should have frameworks for compliance and risk management

- 3.3.1 The common components of compliance and risk frameworks may include:
- Effective oversight by the senior body or individual(s), including support for the stature and independence of compliance and risk management functions. In particular:
    - The senior body or individual(s) should make strategic decisions on the risk appetite of the Market Participant, taking into consideration the nature of its engagement in the Precious Metals Market;
    - The senior body or individual(s) should be responsible for the establishment, communication, enforcement and regular review of a compliance and risk management framework that clearly specifies authorities, limits and policies; and
    - Risks should be managed prudently and responsibly in accordance with established principles of risk management, Applicable Law and industry best practice.
  - The provision of concise, timely, accurate and understandable compliance risk related information to the senior body or individual(s).
  - The appropriate segregation of duties and independent reporting lines, including the segregation of trading from the compliance and risk management functions and the deal processing, accounting and settlement functions;
  - While risk managers and compliance personnel may work closely with business units, the compliance and risk management functions should be independent of the business units and should not be directly involved in revenue generation;
  - Compensation structures should be designed not to compromise such independence;
  - Adequate resources and employees with clearly defined roles, responsibilities and authority, including appropriate access to information and systems. These personnel should have appropriate knowledge, experience and training.

### 3.4 GCRM Principle 4 – Market Participants should familiarise themselves with and abide by all Applicable Law, regulatory obligations and relevant industry standards, and should have an appropriate compliance framework in place

- 3.4.1 Market Participants should act in accordance with their firm's compliance policies, or equivalent, at all times and seek clarification in case of doubt.
- 3.4.2 An effective compliance framework should provide independent oversight and control, and could comprise but not be limited to:
- Identification of Applicable Law and statements of best practice that apply to the Market Participant's activities;
  - Appropriate processes designed to prevent and detect abusive, collusive or manipulative practice, fraud and financial crime, and to mitigate material risk that could arise in the general conduct of the Precious Metals business;
  - Capturing and retaining adequate records to enable effective monitoring of compliance with Applicable Law and regulatory obligations, and relevant industry standards;
  - Well-defined escalation procedures for issues identified;
  - Consideration of the need to periodically restrict relevant personnel's access to the firm's systems and premises, through measures such as mandatory vacation to facilitate the detection of possible fraudulent activities;
  - The provision of advice and guidance to management and personnel on the appropriate implementation of Applicable Law, regulatory obligations and other relevant guidance in the form of policies and procedures, and other documents such as a compliance manual and internal codes of conduct;
  - A training and/or attestation process to promote awareness of, and compliance, with this Principle;
  - Appropriate implementation and utilisation of audit and/or compliance programmes, for example, the establishment of processes to monitor daily activities and operations; and
  - Periodic review and assessment of compliance functions and controls, including mechanisms to alert management about material gaps or failures in such functions and controls. The appropriate senior body or individual(s) should oversee the timely resolution of any issues.

### 3.5 GCRM Principle 5 – Market Participants should maintain an appropriate risk management framework with systems and controls to identify and manage the Precious Metals Market risks they face

- 3.5.1 Market Participants should have policies, or equivalent, in place to limit, monitor and control the risks related to their Precious Metals Market trading activity.
- 3.5.2 Effective risk management starts with the identification and understanding by Market Participants of the various types of risk to which they are exposed. This typically involves the establishment of risk limits and monitoring mechanisms as well as the adoption of risk mitigation and other prudent practices. An effective risk management framework could comprise but is not limited to:
- An appropriate and documented approval process for the setting of risk appetite and limits;
  - A comprehensive and well-documented framework for the identification, measurement, aggregation and monitoring of risk, according to the nature of the Market Participant's engagement in the Precious Metals Market;
  - Documented policies, procedures and controls, which are periodically reviewed and tested, where appropriate, to manage and mitigate risks as highlighted above;
  - The clear communication of risk management policies and controls within the firm to promote awareness and ensure compliance. In addition, to have processes and programmes which facilitate the understanding of such policies and controls by personnel;
  - Information systems to facilitate the effective monitoring and timely reporting of risks;

- Robust incident management, including appropriate escalation, mitigation actions and lessons learnt;
- Robust risk assessment and approval processes for new products, services and procedures to identify new and emerging risks;
- Sound accounting policies and practices encompassing prudent and consistent valuation methods and procedures; and
- An appropriately robust risk control self-assessment process, including processes to remediate identified gaps or weaknesses.

### 3.6 GCRM Principle 6 – Market Participants should have processes in place to independently review the effectiveness of and adherence to the governance, compliance framework and risk management

- 3.6.1 Market Participants should undertake regular independent reviews of their risk management and compliance frameworks, and record and track corrective action of any findings.
- 3.6.2 All material risk related to the market activities should be covered in the independent review using an appropriate assessment methodology.
- 3.6.3 The individual or team carrying out the review should be given the necessary mandate and support, including adequate personnel with requisite experience or expertise.
- 3.6.4 Findings should be reported to an appropriately senior level for review and follow-up.

## 4 Information Sharing

### INFORMATION SHARING LEADING PRINCIPLE

Market Participants are expected to be clear, accurate and effective in their communications, whilst protecting Confidential Information, and hence support a robust, fair, open and appropriately transparent Precious Metals Market.

#### *Handling Confidential Information*

### 4.1 INFO Principle 1 – Market Participants should clearly and effectively identify and appropriately limit access to Confidential Information

- 4.1.1 Market Participants should identify Confidential Information. Confidential Information includes the following information not in the public domain received or created by a Market Participant:
- Trading Information. This can take various forms, including information relating to the past, present and future trading activity or positions of the Market Participant itself or of its Clients, as well as related information that is sensitive and is received or produced in the course of such activity. Examples include but are not limited to:
    - Details of a Market Participant's order book;
    - Other Market Participants' Axes;
    - Spread matrices provided by Market Participants to their Clients;
    - Orders for and during the Benchmark Process; and
    - Details of an individual Client's vault holding.
  - Designated Confidential Information. Market Participants may agree to a higher standard of non-disclosure with respect to confidential, proprietary and other information, which may be formalised in a written non-disclosure or a similar confidentiality agreement.
- 4.1.2 Identification of Confidential Information should be in line with any legal or contractual restrictions to which the Market Participant may be subject.
- 4.1.3 Market Participants should limit access to and protect Confidential Information, and to this end:
- Market Participants should not disclose Confidential Information except to those internal or external parties who have a valid reason for receiving such information, such as to meet risk management, legal or compliance requirements on a need to know basis;
  - Market Participants should not disclose Confidential Information to any internal or external parties under any circumstances where it appears likely that such party will misuse the information;
  - Confidential Information obtained from a Client, prospective Client or other third party is to be used only for the specific purpose for which it was given, except as provided above or otherwise agreed with a Client;
  - Market Participants should disclose to Clients at a high level how Confidential Information is shared internally in accordance with this Principle.

### 4.2 INFO Principle 2 – Market Participants should not disclose Confidential Information to external parties, except under specific circumstances

- 4.2.1 Market Participants can disclose Confidential Information only under certain circumstances. These may include, but are not limited to, disclosure:
- To Agents, market intermediaries (such as brokers or trading platforms) or other Market Participants to the extent necessary for executing, processing, clearing, novating or settling a transaction;
  - With the consent of the Client, where permissible;

- To advisers or consultants on the condition that they protect the Confidential Information in the same manner as the Market Participant that is disclosing the Confidential Information; and
  - Required to disclosed under Applicable Law, or as otherwise requested or required by a relevant regulatory authority, public authority, trade association or trading venue where Applicable Law allows.
- 4.2.2 Market Participants may actively choose to share their own prior positions and/or trading activity so long as that information does not reveal other party's Confidential Information and the information is not shared in order to disrupt market functions or hinder the price discovery process, or in furtherance of other manipulative or collusive practices.
- 4.2.3 When determining whether to release Confidential Information, Market Participants should comply with Applicable Law, as well as any agreed-to restrictions that may limit the release.

## Communications

### 4.3 INFO Principle 3 – Market Participants should communicate in a manner that is clear, accurate, professional and not misleading

- 4.3.1 Communications should be easily understood by their intended recipient. Therefore, Market Participants should use terminology and language that is appropriate for the audience and should avoid using ambiguous terms. To support the accuracy and integrity of information, Market Participants should, where appropriate, have policies and procedures designed to:
- Attribute information derived from a third party to that third party (for example, a news service);
  - Identify opinions clearly as opinions;
  - Not communicate false information;
  - Exercise judgement when discussing rumours that may be driving price movements, identify rumours as rumours and not spread or start rumours with the intention of moving markets or deceiving other Market Participants; and
  - Not provide misleading information in order to protect Confidential Information. For example, Market Participants could, if asked, decline to disclose whether their request to transact is for the full amount, rather than inaccurately suggest that it is for the full amount.
- 4.3.2 Market Participants should be mindful that communications by personnel reflect on the organisation they represent as well as the industry more broadly.

### 4.4 INFO Principle 4 – Market Participants should communicate Market Colour appropriately and without compromising Confidential Information

- 4.4.1 The timely dissemination of Market Colour between Market Participants can contribute to an efficient, open and transparent Precious Metals Market through the exchange of information on the general state of the market, views, and anonymised and aggregated flow information.
- 4.4.2 Market Participants should give clear guidance to personnel on how to appropriately share Market Colour. In particular, communications should be restricted to information that is effectively aggregated and anonymised. To this end:
- Communications should neither include specific Client names or other mechanisms for communicating a Client's identity or trading patterns externally (for example, code names that implicitly link activity to a specific Market Participant), nor information specific to any individual Client;
  - Client groups, locations and strategies should be referred to at a level of generality that does not allow Market Participants to derive the identity of other Market Participants or underlying Confidential Information;
  - Communications should be restricted to sharing market views and levels of conviction, and should not disclose information about individual trading positions;

- Flows should not be disclosed by exact prices relating to a single Client or flow. Volumes should be referred to in general terms, other than publicly reported trading activity;
- Option interest, not publicly reported, should only be discussed in terms of broadly observed structures and thematic interest;
- References to the time of execution should be broad, except where this trading information is broadly observable;
- Market Participants should take care when providing information to Clients about the status of orders (including aggregated and anonymised orders) to protect the interest of other Market Participants to whom the information relates (this is particularly true when there are multiple orders at the same level or in close proximity to one another); and
- Market Participants should not solicit Confidential Information in the course of providing or receiving Market Colour.

*Note: see Annex 1 for a set of illustrative examples of Market Colour communications.*

#### 4.5 INFO Principle 5 – Market Participants should have clear guidance on approved modes and channels of communication

- 4.5.1 It is recommended that Market Participants communicate with other Market Participants via methods of communication that have the capability of providing a complete audit trail of market activity. Appropriate standards of information security should apply regardless of the specific mode of communication in use.
- 4.5.2 Where possible, Market Participants should maintain a list of approved modes of communication, whether working in the office or remotely, and it is recommended, even where it is not required, that communication channels on sales and trading desks be recorded.
- 4.5.3 Market Participants should be aware that recording electronic and audio communications can aid them in dealing with trade disputes over terms and/or (mis)conduct allegations. This Code recommends that Market Participants provide for recorded modes of communication as per 4.5.2. However, those firms that do not have a regulatory obligation to record their communications should make an active decision on whether the benefits outweigh the costs. Such considerations should be risk based, reflect the size and importance of the transactions to the firm, and the likelihood of disputes or conduct issues arising given the nature of the transactions entered into.

## 5 Business Conduct: Pre-Trade and Execution (PTE)

### BUSINESS CONDUCT LEADING PRINCIPLE

Market Participants are expected to exercise care when negotiating and executing transactions in order to support a robust, fair, open and transparent Precious Metals Market.

#### *Pre-Trade*

### 5.1 PTE Principle 1 – All Market Participants should obtain sufficient information to know each Client in advance of any business being transacted, and then on an ongoing basis, subject to each Market Participant’s existing appropriate regulatory obligations

- 5.1.1 All Market Participants should ensure that they have appropriate, proportionate, independent due diligence systems and controls in place. Sufficient information should be gathered on every Client and be made available to those responsible for setting up a Client account or carrying out appropriate due diligence.
- 5.1.2 Market Participants should have a clear understanding of all Applicable Law on the prevention of money laundering and terrorist financing.
- 5.1.3 Market Participants should have internal processes in place to facilitate the prompt reporting of suspicious activities (for example, to the Compliance Officer or appropriate public authority, as necessary). Effective training should be provided for relevant personnel to raise awareness of the serious nature of these activities, and of their reporting obligations, while not revealing their suspicions to the entity or individual suspected of illegal activities. Such training should be regularly updated to keep pace with the rapidly changing methods of money laundering.
- 5.1.4 Due diligence should not just be completed at inception, but as an ongoing obligation and formal review. This should also be completed on a periodic basis, using a risk-based approach.
- 5.1.5 The Market Participant should have a policy that sets out the components of the risk-based approach and what constitutes appropriate due diligence for each category of Client.

### 5.2 PTE Principle 2 – All Market Participants should ensure that proportionate and responsible business practices, appropriate to their business, are adopted

- 5.2.1 All Market Participants should refer to leading industry standards in adopting best practice, and in particular to the OECD Due Diligence Guidelines for Responsible Supply Chains of Minerals<sup>3</sup>. Wherever possible, Market Participants should strive to incorporate the spirit of these best practice in their activities, for example step 5 of the OECD Due Diligence Guidance Gold Supplement for downstream companies.
- 5.2.2 All Market Participants should have appropriate and proportionate systems and controls to demonstrate compliance with relevant industry guidance and standards, for example, the latest version of LBMA’s Responsible Sourcing Guidance.
- 5.2.3 All Market Participants importing Precious Metals must abide by all relevant Applicable Law, for example Conflict Minerals Regulations. Please see Annex 1 for an illustrative example.

<sup>3</sup>OECD Due Diligence Guidelines for Responsible Supply Chains of Minerals:  
<https://www.oecd.org/daf/inv/investmentfordevelopment/goldsupplementtotheduediligenceguidance.htm>



### 5.3 PTE Principle 3 – Market Participants should be clear about the capacities in which they act

- 5.3.1 Market Participants should understand and clearly communicate their roles and capacities in managing orders or executing transactions. Market Participants may have a standing agreement or other terms of business as to their roles that govern all trades, or may manage their relationship by determining their roles on a trade-by-trade basis. If a Market Participant wishes to vary the capacity in which it or its counterpart acts, any such alternative arrangement should be agreed by both parties.
- 5.3.2 A Market Participant receiving a Client order may:
- Act as an Agent, executing orders on behalf of their Clients pursuant to a Client mandate and without taking on market risk in connection with the order; or
  - Act as a Principal, taking on one or more risks in connection with an order, including credit and varying degrees of market risk. Principals act on their own behalf and there is no obligation to execute the order until both parties are in agreement. Where the acceptance of an order grants the Principal executing the order some discretion, it should exercise this discretion reasonably, fairly and in such a way that is not designed or intended to disadvantage the Client.

#### Execution

### 5.4 PTE Principle 4 – Market Participants should handle orders fairly and with transparency in line with the capacities in which they act

- 5.4.1 Market Participants are expected to handle orders with fairness and transparency. How this is done, and what the relevant best practice are, vary depending upon the role in which those Market Participants are acting. In addition, certain order types may entail additional considerations, as described below.
- 5.4.2 Market Participants handling Client orders in a Principal role should:
- Disclose the arrangements under which the Principal will interact with the Client, which might include:
    - That the Principal acts on its own behalf as a counterparty to the Client;
    - How the Principal will communicate and transact in relation to requests for quotes, requests for indicative prices, discussion or placement of orders and all other expressions of interest that may lead to the execution of transactions;
    - How potential or actual conflicts of interest in Principal-dealing and market-making activity may be identified and addressed; and
  - Have market-making and risk management activity (such as hedging) commensurate with its trading strategy, positioning, risk assumed, and prevailing liquidity and market conditions.

- 5.4.3 Market Participants handling Client orders in an Agent role should:
- Communicate with the Client regarding the nature of their relationship;
  - Seek to obtain the result requested by the Client;
  - Establish a transparent order execution policy that should supply information relevant to the Client's order, which may include:
    - Information on where the firm may execute the Client's orders;
    - The factors affecting the choice of execution venues; and
    - Information as to how the Agent intends to provide for the prompt, fair and expeditious execution of the Client's orders;
  - Be transparent with the Client about their terms and conditions, with clearly set out fees and commissions applicable throughout the time of the agreement; and
  - Share information relating to orders accepted on an agency basis, with any market-making or Principal trading desks only as required to request a competitive quote.
- 5.4.4 Irrespective of their role, Market Participants handling orders should:
- Have clear standards in place that strive for a fair and transparent outcome for the Client;
  - Be truthful in their statements;
  - Use clear and unambiguous language;
  - Make clear whether the prices they are providing are firm or merely indicative;
  - Have adequate processes in place to support the rejection of Client orders for products they believe to be inappropriate for the Client;
  - Not enter into transactions with the intention of disrupting the market; and
  - Provide all relevant disclosures and information to a Client before negotiating a Client order, thereby allowing the Client to make an informed decision as to whether to transact or not. Such disclosures can be made as part of the general information a Market Participant provides to its Clients at the beginning of the relationship and/or when circumstances change.
- 5.4.5 Market Participants should make Clients aware of such factors as:
- How orders are handled and transacted, including whether orders are aggregated or time prioritised;
  - The potential for orders to be executed either electronically or manually, depending on the disclosed transaction terms;
  - The various factors that may affect the execution policy, which would typically include positioning, whether the Market Participant managing Client orders is itself taking on the associated risk or not, the prevailing liquidity and market conditions, other Client orders and/or a trading strategy that may affect the execution policy;
  - Where discretion may exist or may be expected, and how it may be exercised.
  - The basis on which trade requests and/or orders might be rejected.

- 5.4.6 Market Participants operating E-Trading Platforms should:
- Have rules that are transparent to users;
  - Make clear any restrictions or other requirements that may apply to the use of the electronic quotations;
  - Establish clarity regarding the point at which market risk may transfer; and
  - Have appropriate disclosures about subscription services being offered and any associated benefits, including market data (so that Clients have the opportunity to select among all services they are eligible for).
- 5.4.7 Market Participants serving as Interdealer Brokers (IDB) should meet similar expectations as described above for Market Participants handling Client orders in an Agent role.
- 5.4.8 Market Participants acting as Clients should:
- Be aware of the responsibilities they should expect of others as highlighted above;
  - Be aware of the risks associated with the transactions they request and undertake; and
  - Regularly evaluate the execution service they receive.

## 5.5 PTE Principle 5 – Market Participants should handle orders fairly, with transparency and in a manner consistent with the specific considerations relevant to different order types

- 5.5.1 Market Participants should be aware that different order types may have specific considerations for execution. Examples include, but are not limited to, the following:

*Example 1: Market Participants handling a Client's Stop Loss Order should:*

- Obtain from the Client the information required to fully define the terms of a Stop Loss Order, such as the reference price, order amount, time period and trigger; and
- Disclose to Clients, where appropriate, whether risk management transactions may be executed close to a Stop Loss trigger level, and that those transactions may impact the reference price and result in the Stop Loss Order being triggered.

*Indicative Examples of Unacceptable Practices:*

- Trading or otherwise acting in a manner with the intention to move the market to an artificial level in order to trigger the Stop Loss level; and
- Offering Stop Loss Orders on a purposefully loss-making basis.

*Example 2: Market Participants filling a Client order, which may involve a partial fill, should:*

- Be fair and reasonable based upon prevailing market circumstances and any other applicable factors disclosed to the Client, in determining if and how a Client order is filled, paying attention to any other relevant policies;
- Make a decision on whether, and how, to fill a Client order, including partial fills, and communicate that decision to the Client as soon as practicable; and
- Fully fill the Client orders they are capable of filling within the parameters specified by the Client, subject to factors such as the need to prioritise among Client orders and the availability of the Market Participant's credit line for the Client at the time.

*Example 3: Market Participants handling a Client's order to transact at a particular Benchmark:*

- Should refer to Principle 11 of this chapter.

- 5.5.2 Market Participants handling orders that have the potential to have sizable market impact should do so with particular care and attention, while abiding to the expected industry standards.

## 5.6 PTE Principle 6 – A Market Participant should only Pre-Hedge Client orders when acting as a Principal, and should do so fairly and with transparency

- 5.6.1 Pre-Hedging is the management of the risk associated with one or more anticipated Client orders, designed to benefit the Client in connection with such orders and any resulting transactions.
- 5.6.2 Market Participants may Pre-Hedge for such purposes and in a manner that is not meant to disadvantage the Client or disrupt the market. Market Participants should communicate their Pre-Hedging practices to their Clients in a manner meant to enable Clients to understand their choices as to execution.
- 5.6.3 In assessing whether Pre-Hedging is being undertaken in accordance with the principles above, a Market Participant should consider prevailing market conditions (such as liquidity), and the size and nature of the anticipated transaction.
- 5.6.4 While undertaking Pre-Hedging, a Market Participant may continue to conduct ongoing business, including risk management, market-making and execution of other Client orders. When considering whether Pre-Hedging is being undertaken in accordance with the principles above, Pre-Hedging of a single transaction should be considered within a portfolio of trading activity, which takes into account the overall exposure of the Market Participant.
- 5.6.5 When a Market Participant is acting as an Agent, the Market Participant should not Pre-Hedge.

## 5.7 PTE Principle 7 – The Mark Up applied to Client transactions by Market Participants acting as Principals should be fair and reasonable

- 5.7.1 Mark Up is the spread or charge that may be included in the final price of a transaction in order to compensate the Market Participant for a number of considerations, which might include risks taken, costs incurred and services rendered to a particular Client.
- 5.7.2 Market Participants should promote transparency by documenting and publishing a set of disclosures regarding their Precious Metals business that, among other things:
- Make it clear to Clients that their final transaction price may be inclusive of Mark Up;
  - Make it clear to Clients that different Clients may receive different prices for transactions that are the same or similar;
  - Help Clients understand the determination of the Mark Up, such as by indicating the factors that may contribute to the Mark Up (including those related to the nature of the specific transactions and those associated with broader Client relationships, as well as any relevant operating costs); and
  - Disclose to Clients how Mark Up may impact the pricing and/or execution of any order linked to or triggered at a specific level.
- 5.7.3 Firms should have policies and procedures that enable personnel to determine an appropriate and fair Mark Up. These policies and procedures should include at a minimum:
- Guidance that prices charged to Clients should be fair and reasonable, considering applicable market conditions and internal risk management practices and policies; and
  - Guidance that personnel should always act honestly, fairly and professionally when determining Mark Up, including not misrepresenting any aspect of the Mark Up to the Client.

- 5.7.4 Market Participants should have appropriate processes to monitor whether their Mark Up practices are consistent with their policies and procedures, and with their disclosures to Clients to the extent reasonably possible.
- 5.7.5 Mark Up should be subject to oversight and escalations within the Market Participant.

*Note: see Annex 1 for a set of illustrative examples regarding Mark Up.*

## 5.8 PTE Principle 8 – Market Participants should not request transactions, create orders or provide prices with the intent of disrupting market functioning or hindering the price discovery process

- 5.8.1 Market Participants should not engage in trading strategies or quote prices with the intent of hindering market functioning or compromising market integrity. Such strategies include those that may cause undue latency, artificial price movements or delays in other Market Participants' transactions, and result in a false impression of market price, depth or liquidity. Such strategies also include collusive and/or manipulative practices, including but not limited to those in which a trader enters a bid or offer with the intent to cancel before execution (sometimes referred to as “spoofing”, “flashing” or “layering”) and other practices that create a false sense of market price, depth or liquidity (sometimes referred to as “quote stuffing” or “wash trades”).
- 5.8.2 Market Participants providing quotations should always do so with a clear intent to trade. Prices provided for reference purposes only should be clearly labelled as such.
- 5.8.3 Market Participants should give appropriate consideration to market conditions and the potential impact of their transactions and orders. Transactions should be conducted at prices or rates based on the prevailing market conditions at the time of the transaction. Exceptions to this, such as historical rate rollovers, should be covered by internal compliance policies.
- 5.8.4 Without limitation, Market Participations handling Client orders may decline a transaction when there are grounds to believe that the intent is to disrupt or distort market functioning. Market Participants should escalate as appropriate.

## 5.9 PTE Principle 9 – Market Participants employing last look should be transparent regarding its use and provide appropriate disclosures to Clients

- 5.9.1 Last look is a practice utilised in Electronic Trading Activities whereby a Market Participant receiving a trade request has a final opportunity to accept or reject the request against its quoted price. Market Participants receiving trade requests that utilise the last look window should have in place governance and controls around its design and use, consistent with the disclosed terms. This may include appropriate management and compliance oversight.
- 5.9.2 A Market Participant should be transparent regarding its last look practices in order for the Client to understand and to be able to make an informed decision as to the manner in which last look is applied to their trading. The Market Participant should disclose, at a minimum, explanations regarding whether, and if so how, changes to price in either direction may impact the decision to accept or reject the trade, the expected or typical period of time for making that decision and, more broadly, the purpose for using last look.
- 5.9.3 If utilised, last look should be a risk control mechanism used in order to verify validity and/or price. The validity check should be intended to confirm that the transaction details contained in the request to trade are appropriate from an operational perspective and that there is sufficient available credit to enter into the transaction contemplated by the trade request. The price check should be intended to confirm whether the price at which the trade request was made remains consistent with the current price that would be available to the Client.

- 5.9.4 In the context of last look, the Market Participant has sole discretion, based upon the validity and price check processes, over whether the Client's trade request is accepted or not, leaving the Client with potential market risk in the event the trade request is not accepted. Accordingly, and consistent with related principles in the Code:
- Last look should not be used for the purposes of information gathering with no intention to accept the Client's request to trade.
  - Confidential Information arises at the point the Market Participant receives a trade request at the start of the last look window, and use of such Confidential Information should be consistent with the principles on Information Sharing.
  - Market Participants should not conduct trading activity that utilises the information from the Client's trade request during the last look window. Such trading activity would include (i) any pricing activity on E-Trading Platforms that incorporates information from the trade request, and (ii) any hedging activity, that incorporates information from the trade request. Such activity would risk signalling to other Market Participants the Client's trading intent and could move market prices against the Client. In the event that the Client's trade requests were subsequently rejected, such trading activity could disadvantage the Client.

*This guidance does not apply to an arrangement that features **all** of the following characteristics:*

1. An explicit understanding that the Market Participant will fill the Client's trade request without taking on market risk in connection with the trade request by first entering into offsetting transactions in the market; and
  2. The volume trade in the last look window will be passed on to the Client in its entirety; and
  3. This understanding is appropriately documented and disclosed to the Client.
- 5.9.5 It is best practice for Market Participants to be available to engage in a dialogue with Clients regarding how their trade requests have been handled, including the appropriate treatment of information associated with those trade requests. Such dialogue could include metrics that facilitate transparency around the pricing and execution of the Client's trade requests and assist a Client in evaluating the handling of its trade requests in order to evaluate whether the execution methodology continues to meet its needs over time.
- 5.9.6 Regardless of the terminology used, last look practices that incorporate a delay that is additional to what is required to complete price and validity checks, sometimes known as "additional hold time" are not consistent with the Code. For example, Market Participants should not prolong the duration of the last look window for the purpose of seeing if future prices move in their favour in relation to the Client's trade request.

## 5.10 PTE Principle 10 – Market Participants providing algorithmic trading or aggregation services to Clients should provide adequate disclosure regarding how they operate

- 5.10.1 Market Participants may provide Clients with algorithmic trading services, which use computer programmes applying algorithms to determine various aspects including price and quantity of orders.
- 5.10.2 Market Participants may also provide aggregation services to Clients, and services that provide access to multiple liquidity sources or execution venues and that may include order routing to those liquidity sources or venues.
- 5.10.3 Market Participants providing algorithmic trading or aggregation services to Clients should disclose:
- A clear description of the algorithmic execution strategy or the aggregation strategy and sufficient information to enable the Client to evaluate the performance of the service, in a manner that is consistent with appropriate protection of related Confidential Information;
  - Whether the algorithm provider or the aggregation service provider could execute as a Principal;
  - The fees applicable to the provision of the services;

- In the case of algorithmic trading services, general information regarding how routing preferences are determined;
  - In the case of aggregation services, information on the liquidity sources to which access may be provided;
  - Market Participants providing algorithmic trading or aggregation services should disclose any conflicts of interest that could impact the handling of any Client order (for example, arising from their interaction with their own Principal liquidity, or from particular commercial interests in trading venues or other relevant service providers) and how such conflicts are addressed.
- 5.10.4 Clients of algorithmic trading providers should use such data and disclosed information in order to evaluate, on an ongoing basis, the appropriateness of the trading strategy to their execution strategy. Clients who use an aggregator to access trading venues should understand the parameters that will define the prices displayed by the aggregator.
- 5.10.5 Market Participants providing algorithmic trading or aggregation services should provide services that perform in the manner disclosed to the Client.

### *Precious Metals Benchmarks*

#### 5.11 PTE Principle 11 – Market Participants should not engage in practices that disrupt the integrity of Benchmarks

- 5.11.1 Market Participants should understand the associated risk for executing Precious Metals trades against a Precious Metals Benchmark. Market Participants should not engage in collusion, improper sharing of information or trading with intent to disrupt or abuse the Benchmark itself or the underlying market.
- 5.11.2 The FICC Markets Standards Board (FMSB) has set out core principles relevant to participation in LBMA Auctions,<sup>4</sup> whereby:
- Market Participants who have the ability to enter both House Orders and Client orders, subject to their having appropriate controls in place relating to the management of conflicts of interest and complying with such controls.
  - In light of the benefits derived from increased liquidity in the auction process, Market Participants are encouraged to structure their businesses such that they are able to add discretionary liquidity in the form of House Orders to the LBMA Benchmarks, subject to appropriate controls, the governing documents and management of conflicts of interest.
  - Market Participants managing Client orders should have policies, procedures, systems and controls in place to ensure that, where House Orders are entered into the LBMA Benchmarks, the House Orders are not placed with the intention of utilising the Client order information to benefit the Participant.
  - Market Participants managing derivatives transactions that reference the LBMA Benchmark price may submit House Orders to manage their own risk. In such circumstances, Market Participants should take appropriate steps to identify and to prevent or manage conflicts of interest which may arise from this activity.
  - Market Participants managing Client orders should have policies, procedures, systems and controls to ensure that the use of Client order information in their Precious Metals activity outside of the LBMA Benchmarks is not reasonably expected to disadvantage the Client.
- 5.11.3 Indicative examples of acceptable practices:
- Transacting an order over time before, during or after the Benchmark Process, so long as it does not intentionally negatively impact the market price and outcome to the Client.

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<sup>4</sup>FMSB Standard for the Conduct of Participants in LBMA Precious Metal Auctions. [https://fmsb.com/wp-content/uploads/2022/02/Standard-for-the-Conduct-of-Participants-in-LBMA-Precious-Metal-Auctions\\_FINAL.pdf](https://fmsb.com/wp-content/uploads/2022/02/Standard-for-the-Conduct-of-Participants-in-LBMA-Precious-Metal-Auctions_FINAL.pdf)

5.11.4 Indicative examples of unacceptable practices:

- Buying or selling an amount shortly before the Benchmark Process such that there is an intentionally negative impact on the market;
- Showing large interest in the market during the Benchmark Process with the intent of manipulating the Benchmark;
- Informing others of a specific Client dealing at the Benchmark rate; and
- Acting with other Market Participants to inflate or deflate the Benchmark against the interests of a Client.

5.11.5 Market Participants handling orders that have the potential to have a sizable market impact should do so with particular care and attention.



## 6 Business Conduct: Post-Trade (POST)

### POST-TRADE LEADING PRINCIPLE

Market Participants are expected to put in place robust, efficient, transparent and risk mitigating post-trade processes, to ensure the predictable, smooth and timely settlement of trades in the Precious Metals Market.

The principles below relate to systems and processes surrounding the confirmation and settlement of Precious Metals trades. These principles should be applied in a manner consistent with the size and complexity of Market Participants' activities and the nature of their engagement in the market.

#### *Confirmation Process*

### 6.1 POST Principle 1 – Market Participants should confirm trades as soon as practicable, and in a secure and efficient manner

- 6.1.1 Market Participants should confirm trades as soon as practicable after execution, amendment or cancellation. The use of automated trade confirmation matching systems, when available, is strongly recommended. Market Participants should also implement operating practices that segregate responsibility for trade confirmation from trade execution.
- 6.1.2 Confirmations should be transmitted in a secure manner wherever possible, and electronic and automated confirmations are encouraged. When available, standardised message types and industry-agreed templates should be used to confirm trades.
- 6.1.3 Open communication methods such as email can significantly increase the risk of fraudulent correspondence or disclosure of Confidential Information to unauthorised parties. If confirmations are communicated via open communication methods, those methods should comply with relevant information security standards.
- 6.1.4 If Market Participants bilaterally choose to match trades using front-end electronic dealing platforms in place of exchanging traditional confirmation messages, the exchange of trade data should be automated and flow straight through from the front-end system to operations systems. Strict controls should be in place so that the flow of data between the two systems is not changed and that data is not deleted or manually amended. Any agreements between the parties to use electronic dealing platforms for trade matching rather than exchanging traditional confirmation messages should be documented in the legal agreement between the parties.

### 6.2 POST Principle 2 – Market Participants should identify and resolve confirmation and settlement discrepancies as soon as practicable

- 6.2.1 Market Participants should confirm, and reconcile, trades as soon as practicable after execution, amendment or cancellation, preferably on a same day basis.
- 6.2.2 Market Participants that identify discrepancies between received confirmations or alleged trades and their own trade records should investigate internally and inform their counterparts with the aim to resolve such discrepancies as soon as practicable. Market Participants should also carefully reconcile all alleged trades and inform senders of unknown confirmations that these cannot be allocated to any internal trade record.
- 6.2.3 Escalation procedures should be established to resolve any unconfirmed or disputed terms as a matter of urgency, and processes should be in place to detect and report any adverse trends that emerge in the discrepancies.

- 6.2.4 Escalation procedures should also include notification to trading and other relevant internal parties so that they know which counterparties may have practices that do not align with best practice regarding confirmation of trades. The Market Participant's management should receive regular discrepancy information, which should include, as a minimum, the number, latency, size of transaction, mark to market (where applicable) and proximity to settlement of unconfirmed deals so that they can evaluate the level of operational risk being introduced by maintaining dealing relationships with each of their firm's counterparties.

### *Clearing and Settlement Processes*

#### 6.3 POST Principle 3 – Market Participants should perform timely account reconciliation processes

- 6.3.1 Market Participants should conduct a regular reconciliation process to reconcile expected cash flows against actual cash flows, on a timely basis. The sooner reconciliations are performed, the sooner a Market Participant can detect missing or erroneous entries and know its true account balances so that it can take appropriate action to confirm that its accounts are properly funded. Reconciliations should be carried out by personnel who are not involved in processing trades that would affect the balances of accounts held with correspondent banks.
- 6.3.2 Full reconciliation should occur across nostro accounts as early as possible. To aid in the full reconciliation of their nostro accounts, Market Participants should be capable of receiving automated feeds of nostro activity statements and implement automated nostro reconciliation systems. Market Participants should also have measures in place to resolve disputes.
- 6.3.3 Escalation procedures should be in place and be initiated to deal with any unreconciled cash flows and/or unsettled trades.

#### 6.4 POST Principle 4 – Market Participants should identify settlement discrepancies and submit compensation claims in a timely manner

- 6.4.1 Market Participants should establish procedures for detecting non-receipt of payments, late receipt of payments, incorrect amounts, duplicate payments and stray deliveries/receipts of Precious Metals/payments and for notifying appropriate parties of these occurrences. Escalation procedures should be in place for liaising with counterparties that fail to make deliveries/payments and more broadly for the resolution of any disputes. Escalation should also be aligned to the commercial risk resulting from fails and disputes. Market Participants that have failed to make a delivery/payment on a value date or have received a delivery/payment in error (e.g. stray, duplicate) should arrange for proper value to be applied or pay compensation costs in a timely manner.
- 6.4.2 All instances of non-receipt of payment should be reported immediately to the counterparty's operations and/or trading units. Market Participants should update their settlement exposure with the most recent projected cash flow movements. Market Participants may wish to consider a limited dealing relationship with counterparties that have a history of settlement problems and continue to fail on their payments.

#### 6.5 POST Principle 5 – Market Participants should measure and monitor their settlement risk and seek to mitigate that risk when possible

- 6.5.1 Market Participants should develop timely and accurate methods of quantifying their Precious Metals settlement and risk. The management of each area involved in the Market Participant's Precious Metals operations should obtain at least a high-level understanding of the settlement process and the tools that may be used to mitigate settlement risk.

- 6.5.2 The netting of settlements in Precious Metals trades is encouraged in unallocated transactions, where netting is possible. Where used by Market Participants, a process of settling payments on a net basis should be supported by appropriate bilateral documentation. Such netting may be bilateral or multilateral.
- 6.5.3 Market Participants should be cognizant of, and manage, the different risks presented by the allocated/physical settlement of Precious Metals compared to unallocated settlement, a non-exhaustive list of which would include:
- Warehousing;
  - Transportation;
  - Delivery capability and capacity;
  - Grade and quality if non-GDL bars; and
  - Consideration of the difference between allocated and non-allocated transactions.

## 6.6 POST Principle 6 – Market Participants should utilise Standing Settlement Instructions (SSIs)

- 6.6.1 SSIs for all relevant products should be in place, where practicable, for counterparties with whom a Market Participant has a trading relationship. The responsibility for entering, authenticating and maintaining SSIs should reside with personnel clearly segregated from a Market Participant's trading and sales personnel, and ideally from those operational personnel responsible for trade settlement. SSIs should be securely stored and provided to all relevant settlement systems so as to facilitate straight-through processing. The use of multiple SSIs with the same counterparty for a given product and currency is discouraged. Because of the settlement risks it introduces, the use of multiple SSIs with the same counterparty for a given product and currency should have appropriate controls.
- 6.6.2 SSIs should be set up with a defined start date and be captured and amended (including audit trail recording) with the appropriate approvals, such as review by at least two individuals. Counterparties should be notified of changes to SSIs with sufficient time in advance of their implementation. Changes, notifications of SSIs and new SSIs should be delivered via an authenticated, and standardised, message type whenever possible.
- 6.6.3 All trades should be settled in accordance with the SSIs in force on the value date. Trades that are outstanding at the time SSIs are changed (and have a value date on or after the start date for the new SSIs) should be reconfirmed prior to settlement (either bilaterally or through an authenticated message broadcast).
- 6.6.4 Where SSIs are not available (or existing SSIs are not appropriate to the particular trade), the alternate settlement instructions to be used should be delivered as soon as practicable. These instructions should be exchanged via an authenticated message or other secure means and should subsequently be verified as part of the trade confirmation process.

### Payments

## 6.7 POST Principle 7 – Market Participants should request direct payments

- 6.7.1 Market Participants should request direct payments when conducting Precious Metals transactions and recognise that third-party payments may significantly increase operational risk and potentially expose all parties involved to money laundering or other fraudulent activity. Market Participants engaging in third-party payments should have clearly formulated policies regarding their use, and any such payments should comply with such policies.

- 6.7.2 At a minimum, these policies should require the payer to be furnished with a clear understanding of the reasons for third-party payments and for risk assessments to be made in respect of Anti-Money Laundering (AML), counter-terrorism financing and other Applicable Law. Arrangements for third-party payments should also be agreed upon and documented between the counterparties prior to trading. In the event a third-party payment is requested after a trade has been executed, the same level of due diligence should be exercised, and relevant compliance and risk approvals should be sought and secured.
- 6.7.3 Cash payments are allowed as long as they conform to the requirements of LBMA's Responsible Sourcing Guidance.

## Annex 1: Illustrative Examples

The examples provided in the Code are intended to illustrate the principles and situations in which the principles could apply.

The examples are highly stylised and are not intended as, nor should be understood or interpreted as, precise rules, or prescriptive or comprehensive guidance. Moreover, the examples are not intended to provide safe harbour nor are they an exhaustive list of situations that can arise; in fact, it is expressly understood that facts and circumstances can and will vary. In some examples, specific market roles are used to make the example more realistic, but the illustrated behaviour applies to all Market Participants.

The examples are grouped under leading principles based on the key principle that is being illustrated. However, in many cases, a number of leading principles may apply to each illustrated example. Examples marked by an “✘” illustrate conduct to be avoided; examples marked by a “✓” illustrate conduct that the Code aims to foster and reinforce. Annex 1: Illustrative Examples can be expected to be updated over time as features of the Precious Metals Market evolve.

Similar to other sections of the Code, these illustrative examples should be interpreted by Market Participants in a professional and responsible manner. Market Participants are expected to exercise sound judgement and to act in an ethical and professional manner.

### Governance, Compliance and Risk Management

Market Participants should have practices in place to limit, monitor and control the risks related to their Precious Metals Market trading activity

- ✘ A Client of a bank accesses Precious Metals Market liquidity only through the E-Trading Platform offered by the sales/trading business of the bank and has no other source of liquidity. The Client has not evaluated the risks of relying on just one source of liquidity. In response to an unexpected market event, the bank adjusts the liquidity provided through its E-Trading Platform, which has the effect of severely impacting the ability of the Client to manage its positions. As the Client has no contingency in place to access the market (including relationship with the voice sales/trading business), the Client’s ability to trade is compromised.

*Market Participants should have practices in place to limit, monitor and control the risks related to their trading. In particular, Market Participants should be aware of the risks associated with reliance on a single source of liquidity and incorporate contingency plans as appropriate. In this example, the Client is unaware that its reliance on a single source of liquidity poses risks to its business and has no contingency plan in place, which severely limits its ability to manage its positions.*

- ✓ A Market Participant X has a significant Client franchise and maintains several channels to access liquidity, including two Prime Brokers and some bilateral agreements. For operational efficiency, the Market Participant routes the majority, but not all, of its flows through one of its Prime Brokers but has a smaller representative part of its portfolio channelled regularly to the other Prime Broker and to its bilateral relationships.

*Market Participants should be aware of the risks associated with reliance on a single source of liquidity and incorporate contingency plans as appropriate. In this example, the Market Participant has opted to maintain and use several liquidity sources as appropriate to the nature of its business.*

Market Participants should have Business Continuity Plans (BCPs)

- ✘ A Market Participant uses a back-up site in the same region and relies on personnel in the same area as its primary site. The Market Participant has not developed a Business Continuity Plan appropriate to the nature, scale and complexity of its business. During a civil emergency, the Market Participant finds that it is unable to access either the primary or the back-up site because the two sites share the same telecommunications path. It also finds that it cannot reach personnel essential to its business.

*Market Participants should have Business Continuity Plans in place that are appropriate to the nature, scale and complexity of their business and that can be implemented quickly and effectively. In this*

example, despite maintaining a primary and a backup site, the Market Participant did not have a Business Continuity Plan that was robust to the disruption. In the two examples below, the Market Participant has made a Business Continuity Plan that is, in each case, appropriate given the nature, scale and complexity of its operations.

- ✓ A Market Participant selects a back-up site that is geographically distant and whose infrastructure can be controlled by personnel in the distant location.
- ✓ A Market Participant decides that it will not maintain a back-up data centre and, in the event that its data centre is unavailable, will reduce or eliminate its positions by telephoning one of the Market Makers with whom it has a relationship and trade by voice only until its data centre is available again.

## Information Sharing

### Market Participants should identify and protect Confidential Information

- ✗ Asset manager to bank Market Maker: Bank ABC just called me with an Axe to buy spot Gold. Are you seeing buying as well?

*Market Participants should not disclose or solicit Confidential Information, including information about Clients' Axes or trading activity. In the example above, the asset manager discloses and solicits Confidential Information, in this case another bank's Axe.*

*In the example below, the asset manager refrains from soliciting Confidential Information.*

- ✓ Bank ABC to asset manager: We have an Axe in spot Gold. Do you have any interest? Asset manager to bank Market Maker: Thanks for calling but we don't have interest in spot Gold today.
- ✗ Hedge fund to bank Market Maker: Are you long Silver?

*Market Participants should not solicit Confidential Information, including information on current positioning or trading activity, without a valid reason to do so. In the acceptable example below, the hedge fund asks for market views and not specific positioning.*

- ✓ Hedge fund to bank Market Maker: What do you think of Silver here?
- ✗ A bank has been asked by a Client to provide a quote for 1,000 ounces of Platinum. The bank does not actively market make in Platinum. The bank calls a bank Market Maker: I'm being asked to quote a two-way price for 1,000 ounces of Platinum. Can you show me your Platinum pricing matrix so that I can get a feel for the spread to quote?

*Market Participants should not disclose or solicit Confidential Information, including information about Clients' trading activity. In the example above, the bank Market Maker discloses and solicits Confidential Information – in this case, the Client interest and the proprietary spread matrix information, respectively. In the example below, the bank requests only information pertinent to their needs.*

- ✓ A bank has been asked by a Client to provide a quote for 1,000 ounces of Platinum. The bank does not have a franchise for Platinum, so its Market Maker calls another bank's Market Maker: Can you give me a two-way price for 1,000 ounces of Platinum?
- ✗ A bank has implemented an institution-wide policy designating trade recommendations produced by the Commodities Research Department as confidential until published to all Clients simultaneously. Bank commodities research analyst to hedge fund: Our view on Palladium has shifted in line with our new consumption forecasts and I'm publishing a new bullish trade recommendation later today.

*Market Participants should not disclose Confidential Information. In this example, the analyst has disclosed Designated Confidential Information – its trade recommendation – to an external party prior to publication.*

*In the examples below, the commodities research analyst and bank Market Maker disclose research after it has been published.*

- ✓ Bank commodities research analyst to hedge fund: I'm calling to check that you've received our bullish Palladium trade recommendation published an hour ago in line with our new consumption forecasts.
- ✗ A hedge fund manager attends a portfolio review with a large Client. At the review, the manager learns that the Client will soon be shifting part of its Precious Metals allocation into another non-precious metals asset class. The manager is asked for advice, but not awarded the allocation mandate. Upon leaving the meeting, the manager makes a call to his own trading desk to inform it of the impending trade.

*Market Participants should not disclose Confidential Information except to those individuals who have a valid reason to receive such information. In particular, information obtained from a Client is to be used only for the specific purpose for which it was given. In this example, planned currency re-allocation is Confidential Information and has been disclosed to the hedge fund manager for advice only. It should not be disclosed to the trading desk.*

- ✗ A fund asks a bank to work a large buy order of Gold for the Benchmark Process. Immediately after the call, the bank contacts a different Client hedge fund and says: "I have a large buy order of Gold to work ahead of the Benchmark Process for a Client. I think this may move the market upwards in the next 20 minutes, and I can work some flow for you as well."

*Past, present and future Client trading activity is Confidential Information that should not be disclosed to other Market Participants.*

#### Communicating Market Colour appropriately

- ✓ A corporate Client has left a 24-hour call level for spot Gold with a counterparty and the call level has been just breached. Bank salesperson to corporate Client: Gold just traded through your call level. The market has dropped 200 ticks in the last 15 minutes, there has been large selling across a variety of names and prices have been gapping. The market continues to be better offered. We don't know the trigger, but there has been some chatter on the internet about a central bank selling but it has not been confirmed on any of the main news channels, so we need to qualify that the chatter is only rumours.

*Market Participants should communicate Market Colour appropriately and without compromising Confidential Information. In this example, the salesperson shares information about recent market developments, with the flow having been sufficiently aggregated and the information from a third party having been attributed clearly.*

- ✗ Bank salesperson to hedge fund: We've seen large spot Palladium demand from XYZ (where "XYZ" is a code name for a specific Client) this morning.

*Market Participants should communicate Market Colour appropriately, sharing flow information on an anonymised and aggregated basis only. In the example above, the information reveals the identity of a specific Client.*

#### Market Participants should communicate in a manner that is clear, accurate, professional and not misleading

- ✗ An asset manager calls three banks and says: "Can I get a price for 500,000 ounces of Silver please? This is my full amount." The asset manager buys 500,000 ounces of Silver from each of the three banks in a total amount of 1,500,000 ounces of Silver."

*Market Participants should communicate in a manner that is clear, accurate, professional and not misleading. In this example, the asset manager deliberately misleads the banks in order to potentially secure better pricing. If asked, the asset manager could choose to decline to disclose whether that request to transact is for the full amount.*

- ✗ A sell-side institution has a large amount of illiquid 10 delta call options to sell. A trader at the institution contacts several Market Participants, saying that he is hearing of a very large buyer of 10 delta calls, when this is in fact not the case.

*Market Participants should communicate in a manner that is not misleading. In this example, the trader communicates false information with the intent of moving the market in his own interests.*

### Market Participants should have clear guidance on approved modes and channels of communication

- ✘ A sales person has a number of filled orders to confirm to the customer but has left the office early. Not having access to a recorded line, he subsequently texts his confirmations from his own unrecorded personal cell phone to the Client.

*It is recommended that communication channels be recorded, particularly when being used to transact. In the example above, the sales person confirms transactions on an unrecorded line. In the example below, the sales person strives to find a way to have the transactions confirmed via recorded means.*

- ✔ A sales person has a number of filled orders to confirm to the customer but has left the office early. Not having access to a recorded line, the sales person contacts his office colleagues, who then contact the customer to confirm the transactions using recorded means.

## Business Conduct: Pre-Trade and Execution

### Market Participants importing gold into the EU must follow relevant legislation

- ✔ A Market Participant who wishes to purchase gold and to import it into the EU must have strong management systems, must identify and assess risks in the supply chain, must manage those risks and ensure that supplying smelters/refiners are subject to an audit, and finally all importers must publicly report on their due diligence. It is worth noting that LBMA Good Delivery Refiners have to abide by these standards as part of their adherence to the LBMA Responsible Sourcing Guidance.

### Market Participants should be clear about the capacities in which they act

- ✔ A Client asks a Market Participant to buy Gold on its behalf in the market. The Market Participant has an agreement with the Client stating that it acts as an Agent and that the Market Participant will add a fee. The Market Participant executes the order in the market, showing a post-trade execution analysis of the fills and adding the fee.

*Market Participants should be clear about the capacities in which they act. In this example, the Market Participant has made clear in advance the capacities in which it acts and that it would add a fee. Specifically, the Market Participant executes the Client's request in an Agent capacity and is transparent about the nature of execution and the associated cost.*

- ✔ A Client asks a Market Participant to buy Gold at Market Order. The Market Participant and the Client have a Principal-based relationship, stipulated in their terms and conditions. The Market Participant fills the Client's order in accordance with the terms agreed, possibly using its own inventory and the available liquidity in the market.

*Market Participants should be clear about the capacities in which they act. In this example, the Market Participant has made clear in advance the capacities in which it acts, by previously disclosing the terms and conditions under which they will interact. Specifically, the Market Participant and the Client, acting as Principals, agree to execute the transaction.*

### Market Participants should handle orders fairly and with transparency

- ✔ A bank receives a large order from a fund (Client) to sell Gold at the London PM Benchmark Process. According to their pre-agreed terms and conditions, the bank and the Client have agreed that the bank will act as a Principal and may hedge Benchmark transactions depending on market conditions. The bank hedges some of the order amount before the fixing window since it judges that the fixing window is too illiquid to clear such a large amount without affecting the market rate to the Client's disadvantage. The bank also keeps some of the risk on its book and does not trade the full amount in the market, therefore lessening the market impact of the Client's order in the fixing, with the intention of benefiting the Client.

*Market Participants are expected to handle orders with fairness and transparency. In this example, the Client and the bank have agreed that the latter will act as a Principal. The bank executes the*



*transaction in a manner that benefits the Client by lessening the market impact of the Client's order on the market.*

- ✘ A Market Participant has orders from several Clients to buy Silver. The Market Participant has disclosed to the Clients its policy that electronic orders are processed in the order in which they are received from Clients. The Market Participant fills first an order of another customer even though that order was received after other orders.

*Market Participants should make Clients aware of factors that affect how orders are handled and transacted, including whether orders are aggregated or time prioritised, and have clear standards in place that strive for a fair and transparent outcome for the Client. In this example, while the Market Participant has made the Client aware of its order-processing policy, it does not provide execution accordingly by executing the orders in a sequential way.*

- ✘ A Client calls a Market Participant to execute a series of trades, stating that it is relying on the agency agreement they have in place. The agency agreement includes a pre-negotiated transaction fee. While executing the trades, the execution desk of the Market Participant adds an additional undisclosed spread to every trade it executes, resulting in the Client paying above the pre-negotiated transaction fee.

*A Market Participant handling Client orders in an Agent role should be transparent with its Clients about its terms and conditions, which should clearly set out fees and commissions. In this example, the Market Participant charges a fee in excess of the pre-negotiated fee and this is undisclosed to the Client.*

- ✘ A Dealer, acting as a Principal, is working an order for a Client. The Client has instructed the Dealer to sell 1,000 ounces of Platinum at a specified price or better. The Dealer buys 500 ounces at the price instructed by the Client before the price rises. However, the Dealer only executes and confirms 100 ounces with the Client, keeping the balance in the Dealer's inventory to benefit from the favourable price action.

*Market Participants filling a Client order should fully fill the Client orders they are capable of filling within the parameters specified by the Client. The example illustrates a behaviour known as "under-filling" where the Dealer will keep some of the execution for his own book if the price action is favourable. In doing so, the Market Participant did not act fairly but in a way designed to disadvantage the Client.*

- ✘ Dealer A tells voice broker B that he has a large amount to execute at the London AM Benchmark Process and wants some help establishing a favourable rate to benefit the Dealer. Broker B then informs Dealer C, who has a similar order, and they all agree to combine their orders so as to make a greater impact in or before the Benchmark Process.

*Market Participants should handle orders fairly and with transparency, should not disclose confidential Client trading information and are expected to behave in an ethical and professional manner. The collusion illustrated in this example to intentionally influence a Benchmark is neither ethical nor professional. It divulges information about Client trading activity to an external party and is non-competitive behaviour that undermines the fair and effective functioning of the foreign exchange market.*

- ✘ Dealer A is aware of a barrier level which, if triggered, will result in the Client's option being knocked out, resulting in the Client receiving zero payment. Dealer A enters large orders in the Gold Benchmark Process and on other trading venues in order to intentionally move the market to an artificial level to trigger the barrier events, for the sole purpose of self-gain.

*Market Participants must only transact in and around the Benchmark Process for legitimate purposes and market-making activity. Any order activities must be transacted bona fide.*

**A Market Participant should only Pre-Hedge Client orders when acting as a Principal, and should do so fairly and with transparency**

- ✓ A bank and a Client have agreed that the bank acts as a Principal and may Pre-Hedge the Client's orders. The bank has a large Stop Loss buy order for the Client. The bank expects that there are many similar orders in the market at this important technical level and recognises the risk for substantial slippage during execution. The bank decides to Pre-Hedge part of the order and starts buying modest amounts in advance without any intent to push up the market price. However, the market spikes through the Stop Loss level due to other Market Participants also

buying ahead of the technical level. The order is triggered, but as a result of Pre-Hedging, the bank is able to provide an execution price close to the Stop Loss level.

*Market Participants should only Pre-Hedge Client orders when acting as a Principal and when the practice is used with the intention to benefit the Client. Stop Loss Orders are conditional on breaching a specific trigger level and, in many cases, orders are placed at significant levels in the market with the potential for substantial slippage when the level is reached. In this example, the bank has utilised Pre-Hedging to build up inventory in advance. The bank's risk book is better positioned than it would otherwise be, had it not Pre-Hedged, to enable the bank to protect the Client from slippage and thus benefit the Client.*

Market Participants should not request transactions with the purpose of disrupting the market, create orders or provide prices with the intent of disrupting market functioning or hindering price discovery

- ✘ A Market Participant wishes to sell a large amount of Gold. Before doing so, the Market Participant executes a number of small, successive purchases of Gold on a widely viewed E-Trading Platform with the intention of moving the market price higher and inducing other Market Participants to buy Gold. The Market Participant then executes the original large sell order in one or more E-Trading Platforms at a higher price.

*Market Participants should not request transactions or create orders with the intention to disrupt market functioning or hinder the price discovery process, including strategies designed to result in a false impression of market price, depth or liquidity. This example illustrates a strategy intended to cause artificial price movements and give a false impression of market price.*

- ✘ A Client stands to gain by moving the market close higher on a COMEX Gold Contract. It calls a bank just ahead of the close and places a large closing order, and then instructs the bank to "buy the amount as close to the close as possible".

*Market Participants should not request transactions or create orders with the intention to disrupt market functioning or hinder the price discovery process, including strategies designed to result in a false impression of market price, depth or liquidity. The Client's request in this example is intended to result in a false impression of market price and depth.*

- ✘ A hedge fund is long an exotic Gold put. Gold has been weakening towards the option's knock-in level during the afternoon. Knowing that liquidity will be lower during the Asian hours, due to a major holiday, and intending to knock in the option, the hedge fund leaves a large Gold Stop Loss sell order for the Asian open with bank A at a price just above the knock-in level. At the same time, it leaves a limit buy order with bank B for the same amount of Gold, but at a level just below the knock-in level. Neither bank A nor B are aware that the hedge fund is long the exotic Gold put.

*Market Participants should not request transactions or create orders with the intention of creating artificial price movements (PTE Principle 8). In this example, the hedge fund has sought to profit (to knock-in the option) by leaving orders designed to cause artificial price movements inconsistent with prevailing market conditions.*

Mark Up should be fair and reasonable

- ✘ A bank receives a Client Stop Loss sell order for spot Gold at a certain level. When that level is traded in the market, the bank executes the Stop Loss Order with some slippage. However, the bank fills the Client at a slightly lower rate after taking Mark Up and without having previously disclosed to the Client that the all-in price for executing a Stop Loss was subject to Mark Up.

*Mark Up should be fair and reasonable and Market Participants should promote transparency by disclosing to Clients that their final transaction price may include Mark Up and that it may impact the pricing and execution of orders triggered at a specific level. In this example, the bank has not disclosed to the Client how Mark Up will affect the all-in price for the order.*

- ✘ A bank charges a corporate higher Mark Up than other corporates of the same size, credit risk and relationship, exploiting the corporate's relative lack of sophistication in understanding and challenging the pricing of its bank.

- ✓ A bank charges corporates of similar size and credit standing different Mark Up because the broader Client relationship differs, for example, the volumes of business these Clients transact with the bank are of very different magnitudes.

*Mark Up should be fair and reasonable, and can reflect a number of considerations, which might include risks taken, costs incurred and services rendered to a particular Client, and factors related to the specific transaction and to the broader Client relationship. The application of Mark Up in this example is not fair and reasonable as it discriminates between Clients based only on their level of sophistication. In this example, the different Mark Up charged to each of the Clients is motivated by differences in the broader Client relationship – in this case, the volume of business.*

Market Participants employing last look should be transparent regarding its use and provide appropriate disclosure to Clients

- ✗ A Market Participant sends a trade request to an anonymous liquidity provider to buy 10,000 ounces of Gold at a price of US\$1,200.50 via an ECN while the displayed price is US\$1,150/US\$1,201. This trade request is bilaterally understood to be subject to a 100ms last look window before it is accepted and confirmed by the anonymous liquidity provider. During this 100ms window, the liquidity provider places buy orders at levels below the US\$1,201 price. If these buy orders are filled, the liquidity provider confirms and fills the Market Participant's trade request, but when these orders are not filled, neither is the Market Participant's trade request.

*Market Participants should only use last look as a risk control mechanism to verify factors such as validity and price. In this example, the liquidity provider misuses the information contained in the Client's trade request to determine if a profit can be made and has no intent to fill the trade request unless it has can secure a profit.*

- ✓ A Client sends trade requests that are subject to a last look window and its liquidity provider has disclosed for what purposes last look may be used. The Client reviews data related to its average fill ratios on such transactions. The data provided suggests that its average fill ratio is far lower than expected and the Client follows up with its liquidity provider to discuss reasons for this.

*Market Participants employing last look should be transparent regarding its use and provide appropriate disclosures to Clients. It is also best practice to have ongoing dialogue between parties regarding how their orders have been handled. In this example, the Market Participant's transparency has enabled to the Client to make an informed decision about how its orders are handled and fosters dialogue between the two parties.*

Market Participants providing algorithmic trading or aggregation services to Clients should provide adequate disclosure regarding how they operate

- ✗ An aggregator routes an order to an E-Trading Platform that is presently showing a price worse than that shown on other E-Trading Platforms, which the Aggregator also has access to. The provider of the Aggregator benefits from more favourable brokerage rebates than have been offered by the E-Trading Platform. These rebates have not been disclosed to the Client.

*Market Participants providing aggregation services to Clients should provide adequate disclosure regarding how they operate. In this example, fees applicable to the service were not disclosed. Note that, even if the Aggregator's routing algorithm had not taken account of the rebate, the Client would have expected these rebates to be disclosed.*

## Business Conduct: Post Trade

Market Participants should confirm trades as soon as practicable, and in a secure and efficient manner

- ✓ A Client executes a transaction in spot Gold on a single-bank platform and is immediately provided with a trade confirmation via the bank's platform. After having checked the trade details received from the bank, the Client is able to immediately send a confirmation message for the trade to the bank.

*Market Participants should confirm trades as soon as possible, and in a secure and efficient manner. In this example, the bank's straight-through processing and initiation of the confirmation process results in the Client being able to send a corresponding confirmation message within a short time frame.*

- ✓ A Market Participant executes a Silver transaction with its parent entity via phone. Both the local entity and its parent confirm the deal directly via a common secured electronic platform.

*Market Participants should confirm trades as soon as possible, and in a secure and efficient manner. In this example, both entities use a common secured electronic platform to confirm the deal – an alternative to marketwide automated trade confirmation matching systems.*

## Annex 2: Glossary of Terms

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<b>Agent</b>	A Market Participant that transacts on behalf of and for the account of a Client.
<b>Applicable Law</b>	The laws, rules and regulations applicable to the Market Participant and the Precious Metals Market in each jurisdiction in which the Market Participant does business.
<b>Axe</b>	An interest that a Market Participant might have to transact in a given product at a price that may be better than the prevailing market rate.
<b>Benchmark</b>	Includes LBMA Gold Price, LBMA Silver Price, LBMA Platinum Price, LBMA Palladium Price.
<b>Benchmark Process</b>	The methodology used to determine the Benchmark, for example, but not limited to, an auction.
<b>Clients</b>	Market Participants making requests, placing orders and subsequently executing trades through a dealer.
<b>Confidential Information</b>	<p>Information that is treated as confidential, including Precious Metals Trading Information and Designated Confidential Information:</p> <ul style="list-style-type: none"> <li>• Precious Metals Trading Information. This can take various forms, including information relating to the past, present and future trading activity or positions of the Market Participant itself or of its Clients, as well as related information that is sensitive and is received or produced in the course of such activity. Examples include but are not limited to: <ul style="list-style-type: none"> <li>• Details of a Market Participant's order book;</li> <li>• Other Market Participants' Axes;</li> <li>• Spread matrices provided by Market Participants to their Clients; and</li> <li>• Orders for and during the Benchmark Process.</li> </ul> </li> </ul> <p>Designated Confidential Information includes confidential, proprietary and other information for which Market Participants may agree to a higher standard of non-disclosure, which at their discretion, may be formalised in a written non-disclosure or similar confidentiality agreement.</p>
<b>Global Precious Metals Code</b>	The global set of principles for best practice in the wholesale Precious Metals Market.
<b>House Order(s)</b>	Orders placed by a Participant into an LBMA Auction either directly as a direct Participant or indirectly via another direct Participant with the intention of managing the Participant's risk inventory. Depending on the role of the Market Participant, the risk inventory may arise from prior or anticipated facilitation of client orders, or proprietary risk positions.

<b>Mark Up</b>	The spread or change that may be included in the final price of a transaction in order to compensate the Market Participant for a number of considerations, which might include risks taken, costs incurred and services rendered to a particular Client.
<b>Market Colour</b>	A view shared by Market Participants on the general state of and trends in the market.
<b>Market Maker</b>	A Market Participant that has been granted status of Market Maker by the LBMA.
<b>Market Order</b>	A counterparty instructs a Market Participant to execute a Precious Metals transaction at the current available level. A Market Order is placed without any limit price, and the entire order is executed at a fair and transparent price and in a reasonable time frame.
<b>Market Participant</b>	A person or organisation (irrespective of its legal form) that is involved in the global OTC wholesale trading market for Precious Metals.
<b>Personal Dealing</b>	Where personnel deal for their personal or indirect benefit (e.g. for their immediate family members or other close parties).
<b>Precious Metals</b>	In the context of this Code, this term refers to Gold, Silver, Platinum, and Platinum.
<b>Precious Metals Trading</b>	Can take various forms, including information relating to the past, present and future trading activity or positions of the Market Participant itself or its Clients, as well as related information that is sensitive and is received in the course of such activity.
<b>Pre-Hedging</b>	The management of the risk associated with one or more anticipated Client orders, designed to benefit the Client in connection with such orders and any resulting transactions.
<b>Principal</b>	A Market Participant that transacts for its own account.
<b>Responsible Sourcing</b>	Responsible Sourcing requires Market Participants to have management systems and controls in place to address identified risks in the supply chain. This includes the LBMA Responsible Gold Guidance (RGG), based on the OECD Due Diligence Guidance, as well as the US and Swiss Know Your Client, Anti-Money Laundering and Combating Terrorist Financing regulations.
<b>Stop Loss Orders</b>	A contingent order, which triggers a buy or sell order for a specified notional amount when a reference price has reached or passed a predefined trigger level. There are different variants of Stop Loss Orders, depending on the execution relationship between counterparties, reference price, trigger and nature of the triggered order. A series of parameters are required to fully define a Stop Loss Order, including the reference price, order amount, time period and trigger, etc. Inappropriately trading to trigger or defend Stop Losses or option barriers is prohibited.

## Annex 3: Wholesale Precious Metals Spot, Forward and Deposits in Precious Metals Basic Market Definitions

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<b>Allocated Accounts</b>	These accounts are opened when a Client requires metal to be physically segregated and needs a detailed list of bar weights and assets. The Client has full title to this metal, with the Dealer holding it on the Client's behalf as custodian.
<b>Fine Content</b>	Represents the actual quantity of Precious Metals in a bar. For example, a Good Delivery Bar may have a gross weight of 403.775 ounces. If it were of a fineness of say 996.4 fine, the fine Gold content or net weight of Gold would be $403.775 \times 0.9964 = 402.321$ fine ounces.
<b>Forwards</b>	This could be for a simple purchase or sale of metal for settlement beyond spot, an outright forward or for forward swap transactions. Forward swaps are a simultaneous purchase and sale in which one leg of the transaction is generally for spot value and the other forward, conducted at an agreed differential to the spot leg of the deal. This leads to the terms "borrowing on the swap", in the case where the spot is purchased and the forward sold, or "lending on the swap" where the spot is sold and the forward purchased, in order to differentiate from leasing metal.
<b>Leases</b>	Precious Metals may be placed on deposit, borrowed, leased or lent on unallocated or allocated terms.
<b>Loco London</b>	Refers to Precious Metals that are physically held in London and comply with LBMA or LPPM Good Delivery standards.
<b>Loco Zurich</b>	Refers to Precious Metals that are physically held in Zurich and comply with LBMA or LPPM Good Delivery standards.
<b>Settlement and Delivery</b>	<p>The basis for settlement and delivery of the Loco London quotation is for delivery of a standard Good Delivery Bar at the London vault nominated by the Dealer who made the sale.</p> <p>While settlement or payment for a transaction will generally be in US dollars over an account in a New York bank, delivery of metal against transactions in Gold and Silver are in made in a number of ways. These include physical delivery at the vault of the Dealer or elsewhere, by credit to an allocated or unallocated account with the Dealer or through the London Precious Metals Clearing to the unallocated account of any third party.</p>
<b>The basic unit for delivery of Platinum and Palladium</b>	<p>The physical settlement of a Loco London/Zurich Platinum trade is a plate or ingot conforming to the following specifications:</p> <ul style="list-style-type: none"> <li>• Weight: minimum permitted weight is 1 kilogram (32.151 Troy Ounces) and the maximum permitted weight is 6 kilograms (192.904 Troy Ounces)</li> <li>• The gross weight of a plate or ingot if expressed in grams should be shown to one decimal place; if expressed in kilograms shown to four decimal places; and if expressed in Troy Ounces shown to three decimal places. Weights should never be rounded up.</li> </ul>

- Fineness: the minimum acceptable fineness is 99.95 percent.

The physical settlement of a Loco London/Zurich Palladium trade is a plate or ingot conforming to the following specifications:

- Weight: minimum permitted weight is 1 kilogram (32.151 Troy Ounces) and the maximum permitted weight is 6 kilograms (192.904 Troy Ounces)
- The gross weight of a plate or ingot if expressed in grams should be shown to one decimal place; if expressed in kilograms shown to four decimal places; and if expressed in Troy Ounces shown to three decimal places. Weights should never be rounded up.
- Fineness: the minimum acceptable fineness is 99.95 percent.

Both Platinum and Palladium Good Delivery plates and ingots must conform to the specifications for Good Delivery set by the London Platinum and Palladium Market Association (LPPM).

#### The London Good Delivery (LGD) Lists

These are the lists, maintained by the LBMA for Gold and Silver, and by the LPPM for Platinum and Palladium, of Refiners of Precious Metals whose standards of production and assaying are such that their bars are acceptable in settlement against transactions conducted between LBMA/LPPM Members and with their Clients. The lists are widely accepted as the international Benchmark, providing the reliable standard for bars traded and delivered around the world. Assessment of applications for inclusion in the lists, together with their ongoing maintenance, is one of the core functions of the LBMA/LPPM.

#### The Troy Ounce

The traditional unit of weight used for Precious Metals. One Troy Ounce is equal to 1.0971428 ounces avoirdupois. The accepted conversion factors between troy and metric are that one kilogram equals 32.1507465 Troy Ounces, and one Troy Ounce equals 31.1034768 grams.

#### The unit for delivery of Gold

The London Good Delivery Gold Bar. This must have a minimum fineness of 995 parts per thousand and must have a Gold content of not less than 350 and at most 430 fine Troy Ounces. The gross Troy Ounce weight is rounded down to the net lowest 0.025 Troy Ounce interval, but the weight in fine Troy Ounces is expressed to three decimal places as calculated. Bars are generally close to 400 ounces or 12.5 kilograms.

#### The unit for delivery of Silver

The London Good Delivery Silver Bar. This must be of a minimum fineness of 999 parts per thousand and, for bars produced after 1 January 2000, weigh between 750 and 1,100 ounces. Bars produced prior to 1 January 2000 must weigh between 500 and 1,250 ounces. The weight of bars must be expressed in multiples of 0.1 of an ounce. Bars generally weigh around 1,000 ounces.

Both Gold and Silver Good Delivery Bars must conform to the specifications for Good Delivery set by London Bullion Market Association (LBMA).



### Unallocated Accounts

This reflects a debit or credit over an account, and the account holder has a claim on the general pool of metal held by its clearer – rather than a specific bar. Therefore, a credit balance on an account means that the owner of the metal has credit exposure to the institution where the account is held. This is the most commonly used method of holding metal.

## Annex 4: Precious Metals Market Conventions

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<b>Quoting Conventions</b>	Prices are expressed in US dollars per fine Troy Ounce for Gold and per Troy Ounce for Silver. Prices against other currencies or in units of weight other than Troy Ounces are available on request.
<b>Marketable Amounts</b>	<p>In the spot market, the standard dealing amounts between Market Makers are 5,000 fine ounces in Gold and 100,000 ounces in Silver. The usual minimum size of a transaction is 2,000 Troy Ounces for Gold and 50,000 Troy Ounces for Silver, while Dealers are willing to offer competitive prices for much larger volumes for Clients.</p> <p>In the forward market, subject to credit limits, London's Market Makers quote for at least 50,000 fine ounces for Gold swaps versus US dollars, and for at least one million ounces of Silver.</p>
<b>Spot and Forward Value Dates Gold and Silver Deposits</b>	<p>The date agreed between parties for one settlement of a transaction.</p> <p>Market convention is for the interest payable on loans of Gold or Silver to be calculated in terms of ounces of metal which are converted to US dollars based on a US dollar price for the metal agreed at the inception of the lease transaction. The interest basis for Gold and Silver is a 360-day year.</p> <p>Interest therefore equals: <math>B \times (R/100) \times (d/360) \times P</math> - where B is ounces of Precious Metals, R is the lease rate, d is the number of days and P is the price of Gold or Silver agreed for calculation of interest.</p>
<b>Outright Forwards and Swaps</b>	<p>Market convention is for forward prices in Gold and Silver to be quoted in interest rate terms on the basis at which a Dealer will borrow or lend metal on the swap.</p> <p>A Dealer therefore may quote three months forward at, say, 0.40 percent to 0.50 percent. This means that he will lend on the swap, i.e. sell spot and buy forward, and pay on the basis of 0.40 percent per annum over the spot price for the forward leg, or borrow on the swap, buy spot and sell forward, and charge on the basis of 0.50 percent per annum over the spot for the forward.</p> <p>In this scenario, were the Dealer to be asked to lend on the swap at 0.40 percent and the spot price were, say, \$1,265 to \$1,265.50, the Dealer would, in accordance with market practice, base the deal at the middle of the spread. They would therefore sell the spot at \$1,265.25 and buy the forward at a premium calculated as: <math>\\$1,265.25 \times 90/360 \times 0.4/100 = \\$1.26</math>. The forward price would therefore equal: <math>\\$1,265.25 + \\$1.26 = \\$1,266.51</math>.</p> <p>The outright forward purchase price is calculated as the spot bid price plus the forward swap bid and the forward sale price is calculated as the spot offered price plus the forward swap offer.</p>

## Annex 5: Statement of Commitment

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### STATEMENT OF COMMITMENT TO THE GLOBAL PRECIOUS METALS CODE

[Name of institution] (“Institution”) has reviewed the Global Precious Metals Code (“Code”) and acknowledges that the Code’s principles represent minimum standards of expected best practice in the wholesale Precious Metals Market (“Market”). The Institution confirms that it acts as a Market Participant as defined by the Code and is committed to conducting its Market activities (“Activities”) in adherence with the principles of the Code. To this end, the Institution has taken appropriate steps, based on the size and complexity of its Activities, and the nature of its engagement in the Market, to ensure its Activities align with the principles of the Code.

[INSTITUTION NAME]

Date: