

ASIA PACIFIC
PRECIOUS METALS
CONFERENCE

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LMEprecious and its implications for Asia

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What is LMEprecious?

- Gold and Silver exchange traded futures contracts
- Cleared in London
- Settled loco London in unallocated bullion
- On-screen daily liquidity from spot out to five years
- Launch date: 10 July 2017*

Gold

- 100 fine troy ounces – quoted in USD

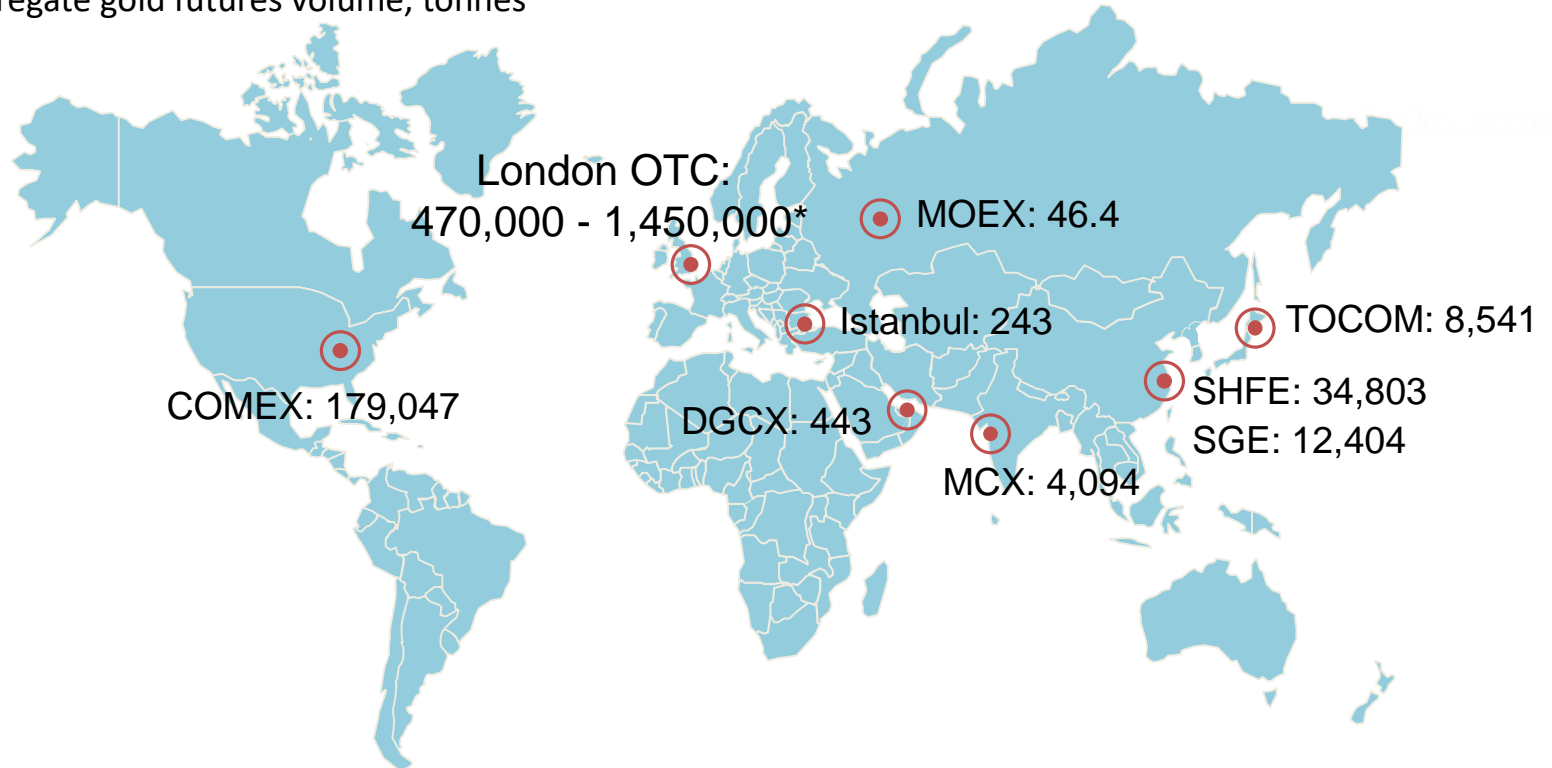
Silver

- 5,000 troy ounces – quoted in USD

Note: * Subject to regulatory approval

The global bullion market

2016 aggregate gold futures volume, tonnes



Note: * London market size derived from LPMCL reported cleared gold 2016 – 157,013t x 3 -9.25 (x3 is GFMS, x9.25 is based on a LBMA survey of loco London transactions from 36 members)

The changing face of the London market

- Traditional bilateral trading market
- Profound regulatory change
- Increased cost of capital
- Increased cost of trading non-cleared OTC derivatives
- Vaulters, banks and traders leave the bullion market
- Increased pressure on bilateral credit lines



Need for liquid trading venue with multilateral netting and central clearing

The market drive for LMEprecious



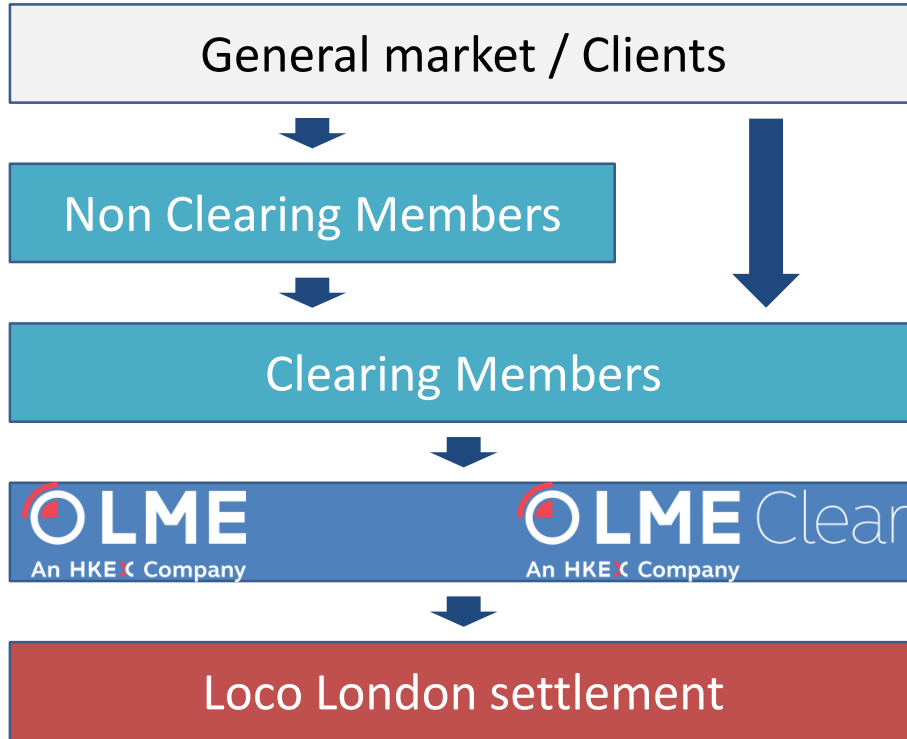
Morgan Stanley



Contract design requirements

- Combines spot liquidity with futures on the same venue
- On-screen tradeable calendar spreads (e.g. “EFP” trade)
- Easy to arb against existing liquid contracts
- Continuous pricing provision at depth
- Ability to execute trades on-screen or phone-broked

Trading LMEprecious contracts



- Access via LMEprecious Member
- \$0.90 per cleared trade

- No joining fees
- \$0.50 per cleared trade*

- Default fund contribution
- “B share” purchase requirement

- LME provides Member interface
- ISVs can provide user interface

- Unallocated bullion settlement (as per OTC loco London trading)

Note: * Further reductions available

Clearing Partner Banks

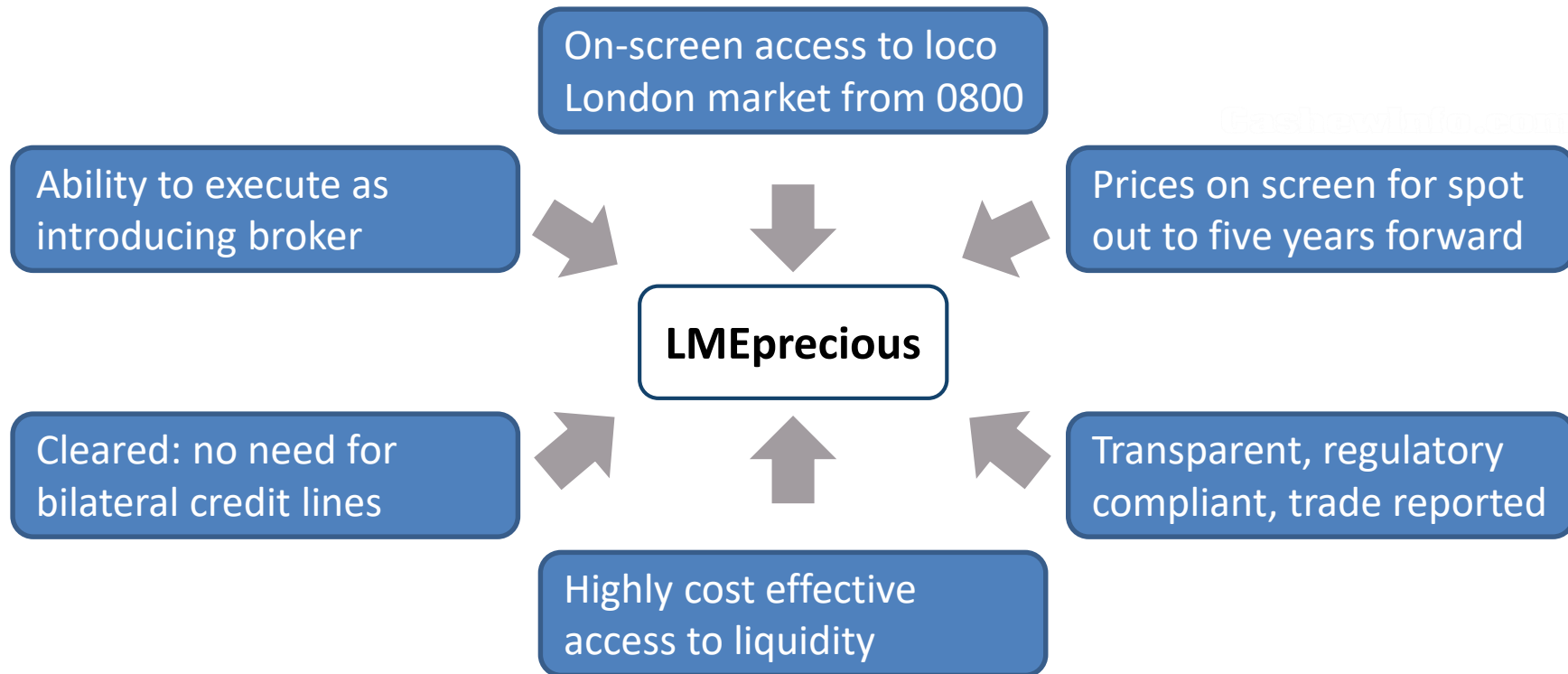
- Goldman Sachs International
- ICBC Standard Bank Plc
- Morgan Stanley & Co. International plc
- Natixis
- Société Générale (London Branch)

Additional Clearing Members*

- BOCI Global Commodities (UK) Limited
- Commerzbank AG
- Macquarie Bank Limited
- MAREX Financial Limited
- Société Générale International Limited

* The following firms have given their consent to be publicly named as having expressed the intention to become LMEprecious Clearing Members

Significance for the Asian bullion market



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